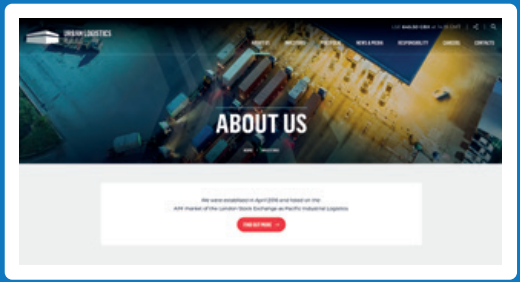
URBAN LOGISTICS
REIT PLC

DRIVING PERFORMANCE

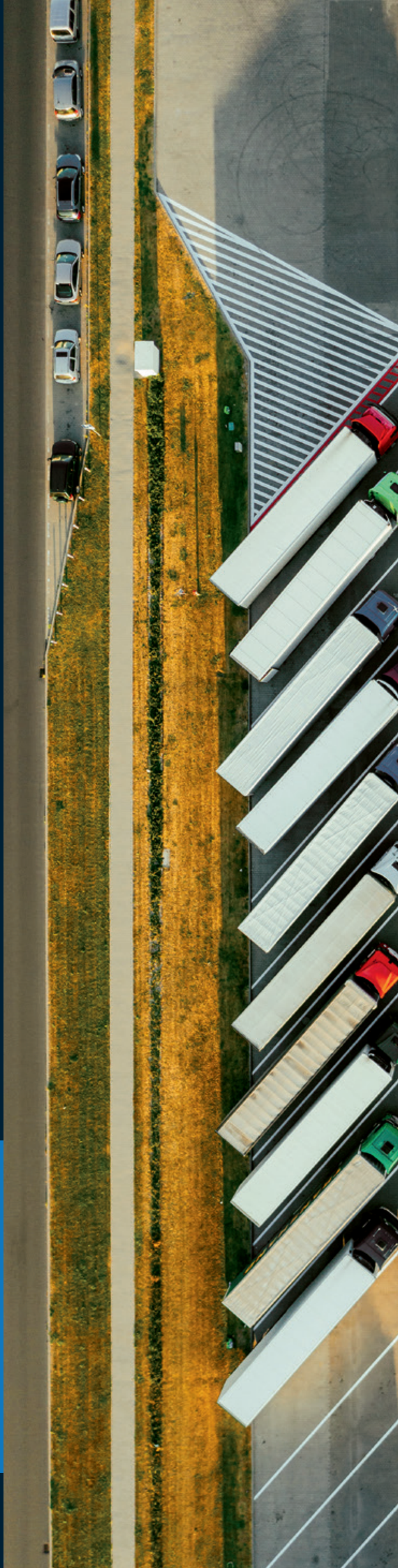
URBAN LOGISTICS REIT PLC

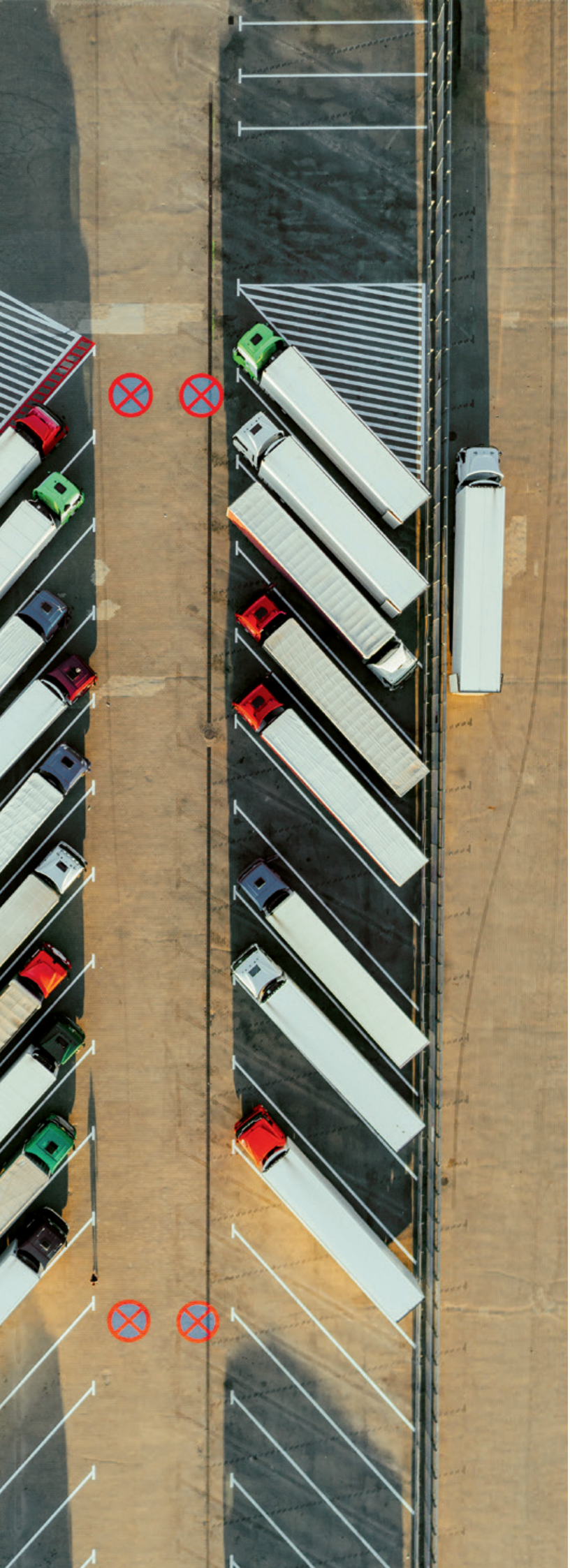
ANNUAL REPORT AND ACCOUNTS 2021

WE PROVIDE HIGH-QUALITY LOGISTICS PROPERTIES TO ENABLE OUR TENANTS TO OPERATE THE ESSENTIAL MODERN DISTRIBUTION NETWORKS DEMANDED BY E-COMMERCE.



VISIT OUR WEBSITE
WWW.URBANLOGISTICSREIT.COM





CONTENTS

OUR HIGHLIGHTS

Urban Logistics is the only listed company giving investors a focused exposure to urban logistics assets, which remains real estate's top performing sub-sector.

FINANCIAL HIGHLIGHTS

NET RENTAL INCOME

£22.9M

+88.0% 31 March 2020: £12.2m

IFRS NET ASSETS

£387.5M

+49.7% 31 March 2020: £258.8m

ADJUSTED EPS[1]

6.76P

-11.7% 31 March 2020: 7.66p

EPRA NTA PER SHARE[2]

152.33P

+10.5% 31 March 2020: 137.89p

DIVIDEND PER SHARE

7.60P

31 March 2020: 7.60p

IFRS PROFIT BEFORE TAX

£47.6M

+408.6% 31 March 2020: £9.4m

TOTAL ACCOUNTING RETURN ("TAR")

15.6%

31 March 2020: 5.6%

LOAN TO VALUE ("LTV")

27.9%

31 March 2020: n/a

1. A full reconciliation between IFRS earnings and adjusted earnings per share can be found in note 12 of the Financial Statements.
2. In October 2019, EPRA introduced new best practice recommendations for reporting of net asset value. The Group considers EPRA Net Tangible Assets ("NTA") to be the most relevant measure for its operating activities and has been adopted as the Group's primary measure of net asset value. Reconciliations for all EPRA performance measures are shown in the Supplementary Information to this Report. Prior year comparatives have been adjusted to reflect these new measures.

OPERATIONAL HIGHLIGHTS

PORTFOLIO VALUATION

£507.6M

+145.2% 31 March 2020: £207.0m

PORTFOLIO LIKE-FOR-LIKE VALUATION GROWTH[1]

13.2%

31 March 2020: 4.6%

WAULT

7.4 years

31 March 2020: 4.9 years

GROSS TO NET RENTAL INCOME RATIO

96.5%

31 March 2020: 98.3%

LIKE-FOR-LIKE CONTRACTED RENT GROWTH[2]

6.5%

31 March 2020: 3.4%

EPRA VACANCY RATE

6.9%

31 March 2020: 2.4%

EPC – % OF PORTFOLIO RATED A-C[3]

76.2%

31 March 2020: 84.4%

TOTAL PROPERTY RETURN

17.1%

31 March 2020: 10.1%

1. Including the five assets sold on 25 March 2021.
2. Based on income producing assets at the start and end of each reporting period.
3. On a like-for-like basis EPCs are 84.4%.

AT A GLANCE

The shift to e-commerce is a trend which preceded the pandemic but has accelerated as consumers and businesses adapted their behaviours over the course of 2020 and into 2021.

Throughout the pandemic, the central tenet behind our investment strategy has proven to be robust. Our commitment to shareholders is to acquire well-located logistics assets with the correct specification for occupiers, typically at below replacement cost. Our focus on tenant covenants, in sectors which have been less volatile historically, has served us well.

WHAT WE DO

Urban Logistics REIT plc (AIM: SHED) is a property investment company which invests in strategically located, single-let logistics properties servicing high-quality tenants across the UK.

WHY WE DO IT

We believe that a focus on smaller sized single-let properties exploits a value opportunity in this real estate sector. This is underpinned by resilient wider economic trends that support valuations and the portfolio's ability to generate both income and an attractive total return for shareholders.

OUR MODEL

Urban Logistics focuses on investing in industrial and logistics properties that enable businesses to operate essential modern distribution networks capable of responding to the challenges created by e-commerce and evolving infrastructure demands.

01 BUY WELL

Urban logistics properties that are well located.

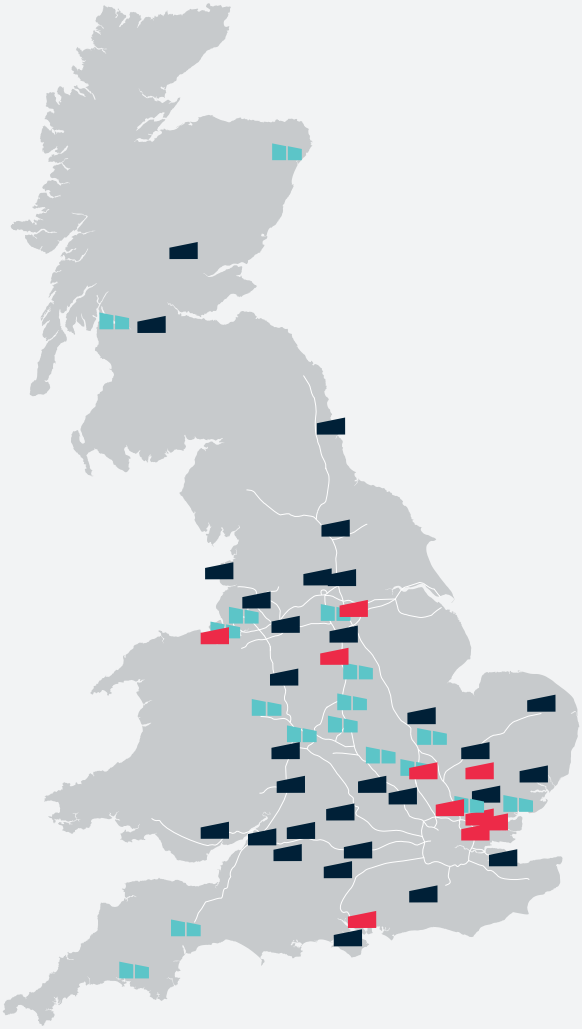
02 MANAGE WELL

Undertake our asset management initiatives.

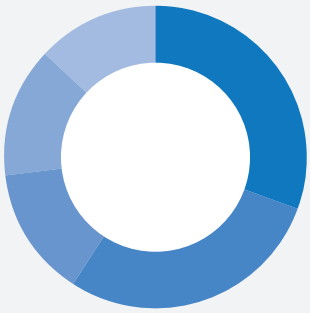
03 PERFORM

Recycle capital or hold for income.

OUR LOCATIONS



GEOGRAPHIC LOCATIONS (BY CAPITAL VALUE)



- South East | 31%
- Midlands | 29%
- North West | 14%
- Other | 14%
- Yorkshire & NE | 13%

- Top ten sites by value
- Other sites
- Multiple units

OUR ASSETS

76
Number of assets

5.1%
Net initial yield

5.3M SQ FT
Total area

CHAIRMAN'S STATEMENT

"Life will return to the high streets but the trend towards e-commerce, which preceded the pandemic, is likely to accelerate."

NIGEL RICH CBE
Chairman

The last year has been extremely difficult for many people, but hopefully, in the United Kingdom at least, the successful rollout of vaccinations seems to be winning the battle with COVID-19. We will now start to find out how much this will change the way we lead our lives.

During the worst periods of the pandemic, the high streets were empty with shops and hospitality closed in the successive lockdowns. Household needs were provided by e-commerce. Life will return to the high streets but the trend towards e-commerce, which preceded the pandemic, is likely to continue.

The combined £228 million of capital raised in the two issues in March and October 2020, together with the additional debt funding, has enabled us to purchase £295 million of properties during the financial year, including some for development.

These properties continue to be acquired in line with our strategy of targeting single let, near or adjacent to cities and major roadways, with many of our tenants distributing essential consumer products. Most of the properties purchased have opportunities for active asset management initiatives which have added, or will add, further value.

The value of the property portfolio at 31 March 2021 was £507.6 million compared with £207.0 million at the end of the prior financial year. Like for like, properties held throughout the year increased in value by 13.2%, or £17 million. The balance of the increase is due to the new properties purchased during the year. Capitalisation rates tightened in the second half of the year but most of the value increase was due to the Manager's active asset management. Our EPRA NTA at the end of the year were 152.33 pence per share compared with 137.89 pence at the previous year end.

5-YEAR TIMELINE SINCE IPO

FY17	FY18	FY19	FY20	FY21
Capital raised: **£21m**	Capital raised: **£53m**	Capital raised: **£20m**	Capital raised: **£136m**	Capital raised: **£92m**
Portfolio value: **£43m**	Portfolio value: **£132m**	Portfolio value: **£186m**	Portfolio value: **£207m**	Portfolio value: **£508m**
TAR[1]: **19.1%**	TAR[1]: **10.9%**	TAR[1]: **17.7%**	TAR[1]: **5.6%**	TAR[1]: **15.6%**

1. Total Accounting Return.

ESG

We regard our environmental, social and governance ("ESG") obligations as very important to our business and are in the process of formalising our approach. We have created a Board Committee under the chairmanship of Heather Hancock who is working with management to set key objectives, particularly relating to environmental impacts. With no direct employees, and all our properties leased to tenants, it is harder for us to make an impact on social matters. We put a high emphasis on forming and sustaining good tenant relationships, and this includes encouraging occupiers to be good neighbours in the immediate area where the property is located, and that they have appropriate health and safety standards.

With regard to governance, as a Board we have taken steps to prepare for an eventual move to a Premium Listing on the Main Market of the London Stock Exchange. Smith and Williamson have been our auditor since the incorporation of the Company, but our capital raises of the last twelve months have taken our market capitalisation above the AIM SME limit, which they do not audit. Following a competitive tender process, we appointed RSM UK Audit LLP as our auditor with effect from 15 February 2021.

At the same time, and also following a tender process, we appointed Link Company Matters, part of Link Group ("Company Matters"), as our new Company Secretary, replacing Vistra Company Secretaries Limited. This was due to Company Matters' greater experience in the listed markets.

We recognise that a move to the Main Market will require a high standard of governance and so we will continue to prepare for this.

FINANCIAL RESULTS

In the year ended 31 March 2021, net rental income increased by 88.0%, driven by rent increases on a like-for-like basis and the rental income from properties purchased both in the prior and current financial year. Adjusted earnings have increased 105.7% to £14.8 million, but Adjusted earnings per share have decreased by 0.90 pence to 6.76 pence per share. This is due to the issuance of new shares and the pace of investment in new properties being partly affected by the impact of COVID-19 and the time it took to put in place new banking facilities.

FINANCING

As well as the £228 million raised from the share issues in March and October 2020, the Group increased its loan facility with its lender group to £151 million and extended the maturity. More recently, a £48 million seven-year Sustainable Green debt facility has been put in place with Aviva Investors.

All of our available funds have now been used for the purchase of properties from the pipeline. At the end of the financial year there was a cash balance of £60.5 million, which together with the funds due on recent sales is earmarked for development projects and other properties we are committed to purchasing. Our LTV at the end of the year was 27.9% (below our target range of 30-40%).

DIVIDENDS

An interim dividend of 3.25 pence per share was paid in October 2020 to shareholders prior to the issuance of new shares in the same month.

A second interim dividend of 4.35 pence per share will be paid on 2 July 2021 to shareholders on the register at the close of business on 18 June 2021. The total dividends per share amount of 7.60 pence per share is the same as was paid in the previous year. Part of the second interim dividend is being paid out of the profits on the disposal of properties in March. The Board will use such profits and retained earnings to endeavour to at least maintain the dividend each year even when new shares have been issued.

BOARD AND MANAGEMENT

Heather Hancock joined the Board on 15 June 2020. Heather is making a significant contribution to Board discussions as well as chairing the ESG Committee.

The management team from Pacific Capital Partners, led by Richard Moffitt, continues to drive the Company forward with great success. The team sources the pipeline, executes the property transactions and then implements asset management plans. We also place considerable reliance on the Manager's very capable finance team.

OUTLOOK

We are confident that the investment and occupational markets will remain favourable for mid-box assets, especially in the Midlands and North where we believe the government will concentrate much of its promotional efforts.

Our Manager's access to properties at attractive yields, and with opportunities for active asset management, has enabled the Company to build a fresh pipeline of potential acquisitions.

While the judicious use of gearing, and rotation of assets, can fund some of the pipeline we will otherwise need to raise further funds in the capital markets. We also aspire to reach a level of market capitalisation that will justify a move to the Main Market in the near future.

NIGEL RICH CBE
Chairman

8 June 2021

BUSINESS MODEL

LAST MILE LOGISTICS

URBAN LOGISTICS HAS BUILT A PORTFOLIO OF HIGH-QUALITY SINGLE-LET PROPERTIES WITH SECURE INCOME PRINCIPALLY LET TO LOGISTICS OPERATORS. OUR ACTIVE ASSET MANAGEMENT APPROACH ENABLES US TO DELIVER SECTOR-LEADING RETURNS TO SHAREHOLDERS, TARGETING A 10-15% TOTAL RETURN PER ANNUM.

INPUTS

FOCUS ON LAST MILE
Highest growth segment of industrial and logistics asset class.

STRONG COVENANTS
Focus on single-let properties let to institutional grade tenants.

89%
LOW/MODERATE RISK[1]

STRATEGIC LOCATIONS
Targeting e-fulfilment in locations where supply is limited and demand robust.

60%
MIDLANDS AND SOUTH EAST BIAS

INVESTMENT POLICY
Negotiate acquisitions at 30-70% of new build cost, on assets with below market rents and with reversionary potential in the short to medium-term.

30–70%
PERCENTAGE OF NEW BUILD COST

WHAT WE DO

BUY WELL
20,000 to 200,000 sq ft single-let logistics warehouses in urban locations.

82
PROPERTIES ACQUIRED SINCE IPO[2]

6.4%
AVERAGE PURCHASE YIELD

MANAGE WELL
The management team are long-term logistics specialists with a focus on asset management.

23.7%
RENT REVIEW LIKE-FOR-LIKE INCOME GROWTH

PERFORM
Once asset management has been completed, a property will be held for income or sold so that the capital can be recycled into further opportunities.

4.8%
AVERAGE DISPOSAL YIELD[3]

78.8%
TOTAL PROPERTY RETURN GENERATED[3]

1. Per Dun & Bradstreet (Overall Business Risk).
2. Excludes forward funded developments.
3. On properties sold in the financial year ended 31 March 2021.
4. Includes second interim dividend of 4.35 pence per share in respect of the financial year ended 31 March 2021, which will be paid on 2 July 2021.
5. By floor area.

ESSENTIAL GOODS

INVESTMENT CASE

IDENTIFYING UNIQUE VALUE OPPORTUNITIES

The Company's specialist focus on single-let properties exploits a unique value opportunity in this real estate sector, underpinned by resilient wider economic trends.

EXPERIENCED BOARD AND TEAM

Urban Logistics benefits from a high-quality investment management team, complemented by an experienced and knowledgeable Board. This unique combination of skills and experience enables the Company to identify and acquire assets, implement its asset management strategy, and create value for shareholders.

CONSERVATIVE CAPITAL STRUCTURE

Underpinning these significant advantages, the business benefits from a conservative capital structure appropriate to its asset base, with a measured approach to the use of debt.

OUTCOMES

MARKET

A closer integration of logistics and retailing across the UK.

INVESTORS

Reward equity holders with high-quality income, maintaining a supportive institutional and private shareholder register.

34.75P

DIVIDENDS PAID AND DECLARED SINCE IPO[4]

TENANTS

Proactive tenant engagement and relationship management, with a collaborative approach, making our assets work harder for them.

£5.35

AVERAGE RENT PER SQ FT

FINANCING PARTNERS

The Group has a £151 million facility with Barclays, Santander and Lloyds banks and a new £48 million facility with Aviva.

30–40%

TARGET LOAN TO VALUE

ESG

Urban Logistics is committed to creating lasting value in our business by buying and improving properties.

76%

EPC RATINGS: A-C[5]

Q&A WITH THE CEO

"We have seen an acceleration in the shift towards e-commerce and a corresponding step change in the logistics infrastructure required to support long term change."

RICHARD MOFFITT
Chief Executive Officer

Q

HOW WOULD YOU SUMMARISE URBAN LOGISTICS' PERFORMANCE IN THIS EXTRAORDINARY YEAR?

Our first priority, as you would expect, was the safety of our employees and tenants and maintaining business resilience. We have performed well this year, due in no small part to the fact that the COVID-19 crisis has highlighted the importance of logistics real estate and, in particular, scarce "last touch" properties focused on essential goods and consumer staples.

Q

YOU HAVE NOT LET UP ON CORPORATE ACTIVITY THIS YEAR, WITH TWO FUNDRAISINGS AND A NUMBER OF ACQUISITIONS...

That's right. It's been a very busy year. We completed two fundraisings in 2020, raising £136 million in March and £92 million in October, and we have used these funds to execute our growth strategy, making a total of £295 million of acquisitions of highly desirable logistics assets, all of which are strategically located, making them highly attractive last mile distribution hubs. All the acquisitions offer excellent opportunities for value enhancement through active asset management, and we look forward to keeping our shareholders updated on progress.

Q

HOW HAVE YOUR TENANTS FARED THROUGHOUT THE PANDEMIC IN 2020/21?

They are typically involved with the distribution of essential products (Business to Business or Business to Customer) so they've all remained operational since late April 2020. We have therefore received over 99% of rents demanded when they become due. We've kept very close to our tenants, speaking to each of them on a monthly basis, so we remain well placed to pick up any potential issues and troubleshoot. This partnership is so important and a critical part of our business.

Q

DO YOU THINK THAT COVID-19 HAS FUNDAMENTALLY CHANGED LAST MILE LOGISTICS AND WAREHOUSING?

I think it has accelerated changes that were already taking place – changes which we recognised years ago when we started out on this journey in 2016. Ours is a market in which demand for smaller, last mile logistics assets vastly outstrips supply due to local planning constraints and the high costs of building new stock. Even before lockdown, online commerce was on track to account for 25% of all retail sales by 2022. We are now well above that and at the last count were at 35%. In my view, lockdown has caused consumers and businesses to make permanent changes to the way in which they order and deliver essential goods, with supply chain resilience coming to the fore and many businesses adopting a "just in case" rather than a "just in time" mentality. At the same time, reduced land availability in this space is creating continuous upwards pressure on rents and land values. All of this is highly favourable to our business model.

Q

WHAT IS YOUR SECRET TO VALUE CREATION?

Firstly, we make the right acquisitions. As a management team, we've been in the sector for a long time and have an extensive track record. There aren't many assets or properties that we don't know about or haven't bought or sold over the years. As a result, we know exactly where the best assets are to be found, we know exactly which tenants to target, and we are often able to transact off-market. Secondly, we know our tenants. Our properties tend to be single let, with tenants which manufacture and distribute essential goods such as foods and consumer staples. We don't house fast fashion and we speak to our tenants frequently and we actively manage our portfolio to enhance value. Thirdly, we like to prove our property values. Once our asset management has been completed, a property will either be held for income or sold so that the capital can be recycled into other pipeline opportunities. For example, in March 2021 we sold five assets as part of a portfolio for £30 million at a 4.8% exit yield, realising a Total Property Return of 79%.

Q

HAS YOUR STRATEGY CHANGED AT ALL IN RESPONSE TO COVID-19?

The COVID-19 crisis has, in our opinion, proved the viability and attractiveness of our strategy. A world in which a greater proportion of commerce takes place online, and in which timely last mile logistics delivery becomes an ever more important part of the global supply chain, is a world which needs Urban Logistics.

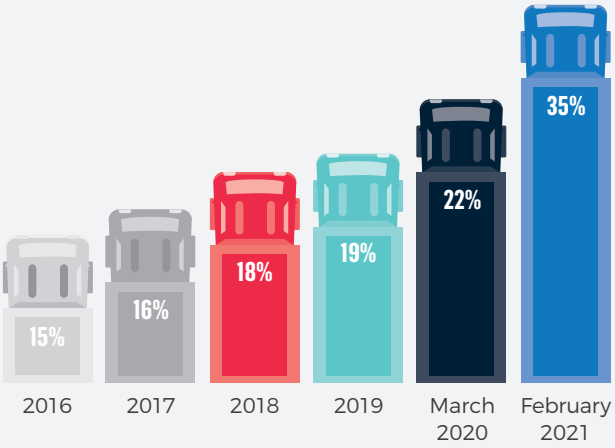
Q

WHAT IS YOUR FOCUS FOR 2021/22 AND BEYOND?

We remain focused on growth and shareholder value. We will continue to exploit the unique value creation opportunities in our chosen real estate sector, through growing our portfolio, applying active asset management, and realising values. We have a healthy pipeline and will look to raise funds on the capital markets at the appropriate time.

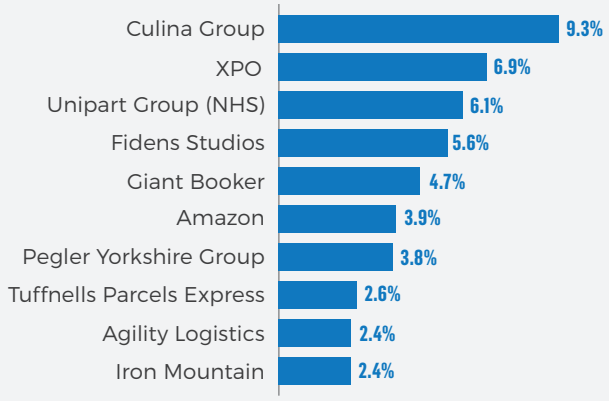
MANAGER'S REPORT

E-COMMERCE AS A % OF TOTAL RETAIL SALES

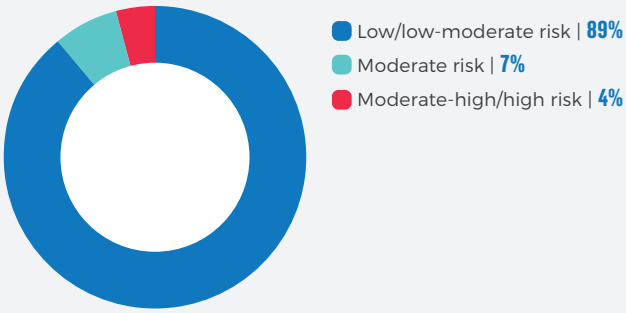


Source: ONS (February 2021 most recent data available).

TOP 10 TENANTS[1]



TENANTS' CREDIT RATINGS[1]



OVERVIEW

As life hopefully begins to return to some sort of normality now that we appear to be through the worst of the pandemic in the UK, we find ourselves assessing what life will look like for businesses and consumers.

I think we all agree that logistics has never been so important. This is a trend which preceded the pandemic but has only become more in focus as working from home and spending time online sustained us over the course of 2020 and into 2021.

We have also witnessed how swiftly events at our borders, in the Suez Canal and with the EU over the ongoing vaccination programme can cause supply chain issues.

Businesses are, in some aspects, relieved about the fact that a trade deal was agreed at the end of 2020, covering our future trading relationship with the EU, but this trade deal has created barriers to trade, rather than removing them. Therefore, as the dust settles and we become more outward focused once again, it is possible that we will see companies looking to restructure their supply chains to gain greater operational efficiencies.

With supply chains tested like never before during several lockdowns, there were shortages and issues across the UK – notably for essential items such as food, pharmaceuticals and PPE. These challenges amplified notable weaknesses as global supply chains were found to be lacking in sufficient levels of stock. A rapid increase in e-commerce further compounded the problem. Whilst the economy is showing signs of recovery, specific behavioural changes will be here to stay.

In January 2020, and before the world changed due to COVID-19, e-commerce accounted for 19% of all retail sales in the UK; by February 2021 this had reached 35% (previous ONS estimates suggested the UK would reach 25% by the end of 2022).

Throughout this structural change, the central thesis behind our investment strategy has proven itself to be robust. Our commitment to shareholders is to acquire well-located warehouses with the correct specification for occupiers at below replacement cost.

1. As a percentage of contracted rental income as at 31 March 2021.

Our focus on tenant covenants, in sectors which have been less volatile historically, has also served us well at a time when all these attributes have been fundamental to overall performance and a Total Property Return of 17.1% for this recent financial year.

We are pleased to report that when our investment strategy was tested in the most unwelcome and unexpected circumstances, over 99% of rents due were collected during the year.

Right back at the beginning of the financial year, we implemented a management strategy that, despite our team working remotely, kept us in regular contact with occupiers; only three sites weren't operational at the very beginning of the first lockdown but this quickly changed back to all buildings being operational by late April.

Fundamentally, we remain focused on building our business through working closely with our tenants, acquiring assets that provide solid medium-term income.

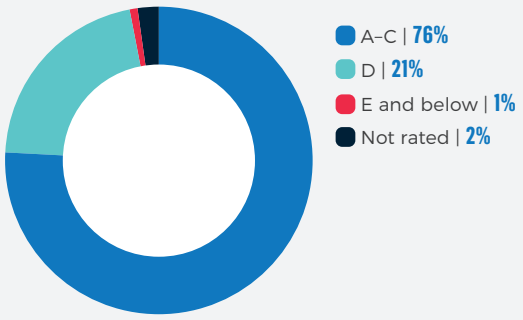
Our strategy of having tenants focused on the distribution of domestic UK products, such as food and pharmaceuticals, and avoiding the fashion sector, has provided resilience at a challenging time. Our tenants are typically third-party logistics companies and UK businesses who move staple domestic products around the country to homes and businesses requiring last mile or e-fulfilment services; such as Boots, the NHS, Travis Perkins, Booker, DHL, XPO and Sainsbury's.

ENVIRONMENT

Our increasing focus on the environment, as part of our ESG agenda, is proving to be extremely important in terms of investor relations and with our tenant relationships. This issue is high on the agenda of our tenants, some of whom are the largest logistics operators globally, and our focus in this area is helping our landlord/tenant relationship, providing another reason for constructive dialogue and investment into buildings. At the year end our EPCs were 76% A-C and our investment process involves, amongst other considerations, assessment of energy efficiency ratings to ensure properties are sustainable in the long term.

An ESG Committee has been established to scrutinise performance across the full suite of ESG commitments that Urban Logistics places on us as the Manager. We welcome this development and recognise the importance of demonstrating our ongoing engagement and initiatives with our tenants across the portfolio.

EPC RATINGS (BY FLOOR AREA)



THE MARKET

COVID-19 has accelerated the e-commerce revolution, but expansion of the logistics sector is not a new concept. The share of the UK real estate portfolio accounted for by retail has plummeted from approximately 50% to 30% in a decade (source: CBRE); in the same period the market share for our logistics sector has almost doubled, to over 23%.

For about six weeks at the start of the initial lockdown, the investment market adopted a "wait and see" approach. As measures eased over last summer, investors shifted their focus towards the logistics sector, with H1 2020 volumes to June ending down just 7.2% on H1 2019 (source: CBRE). Fierce competition then emerged for asset purchases with institutions looking to increase their exposure to this sector, with little care often given to length of income and tenant covenants. September also saw the sales launch of some larger portfolios from established logistics investors, looking to cash in on private equity and sovereign wealth fund interest, and reminding us of the premiums available for specialist platforms.

We remain able to acquire assets in "off market" trades where vendors sometimes prefer the certainty that we bring through a strong equity position. The vast majority of our acquisitions since IPO have been "off market" which is testament to our connections within the logistics sector and our reputation for swift and certain deal execution.

MANAGER'S REPORT CONTINUED

THE MARKET CONTINUED

WAREHOUSE SUPPLY AT LOW LEVELS

Recent issues such as the Suez Canal blockage have further created a focus on shorter, more dependable supply chains (this particular issue is important because approximately 12% of global freight and 30% of container freight travel through the canal). Brexit has also compounded the issue, giving freight operators a renewed focus on resilience. This in turn leads to occupier demand and at the end of March there were 55 warehouses under offer in the UK, representing 16 million sq ft. Vacant, ready-to-occupy space meanwhile remains at an all-time low of sub 6% and we anticipate further increases in take-up through 2021.

A lack of supply is compounded by a variety of factors, but notably:

- high barriers to entry as a result of a high percentage of warehouse development land being taken for "Big Box" units (those above 300,000 sq ft); plus a time lag of three to five years for sites to obtain planning and then be built;
- costs of construction rising (100,000 sq ft building at £30-35 per sq ft in 2015 and now at £60-65 per sq ft in the Midlands);
- development land costs doubling in five years (Northampton, for example: £400,000 an acre in 2015 and now at more than £900,000 an acre); and
- 35% of all industrial land in the South East of the UK has been lost to higher value uses in last ten years.

Sources: Savills, CBRE, management information.

Supply is responding to a surge in demand; however, most of the incoming logistics schemes will not help ease market pressure in our urban logistics space in the short term as they are larger build-to-suit propositions. Furthermore, approximately 85% of space under construction at the end of 2020 was committed through pre-lettings. This trend, which is shared across Europe (where vacancy is even tighter in a majority of markets), follows a shift in occupier preferences who tend to plan their expansion strategies and secure units that suit their needs. This planning process requires years of anticipation and, when supply adapts and focuses on providing sites for build-to-suit opportunities rather than building speculatively, it diminishes the ability of the market to absorb surges in demand for ready-to-occupy space.

The management team has been living and breathing logistics for most of their professional careers, building strong relationships with the vendors, developers and occupiers of urban logistics assets. In short, we are uniquely placed to hear of opportunities which is why our acquisitions have predominantly been off market since our IPO in April 2016. We can also provide a "funding source" to developers which in turn gives them an exit. Similarly, we can provide a sale and leaseback option to an occupier or a guaranteed sale execution to an investor. Urban Logistics prides itself on deal execution; doing what it says it will do with expedience.

DEMAND AT RECORD LEVELS

Despite the recent pandemic challenges, and in some cases because of it, 2020 broke all records for logistics take-up. There were new leases signed for 50.1 million sq ft of warehouse space, 12.7 million sq ft ahead of the previous record set in 2016. Online retailers took close to 50% of available space, with omnichannel retailers and supermarkets expanding their online presence. If we add the indirect take-up from third-party logistics operators, or traditional retailers working an online channel, the estimated figure is over 65%.

Lack of new, ready-to-occupy units has also pushed occupiers towards the second-hand market, which saw its busiest quarter ever in Q2 2020. The supply side has responded to such overwhelming demand by pressing on with projects that were put on hold during lockdown, trying to get them back on schedule.

01 CHARLTON MEAD, HODDESDON

£2.4M
Annual passing rent

181,996 SQ FT
Area

9.7 YEARS
WAULT

£13.36
Rent per sq ft

£41.4M
Net book value (NBV) at 31 March 2021

£34.3M
Purchase price

BUY WELL

- Off-market purchase
- Well located "last mile" warehousing seven miles from M25
- Two vacant units offering asset management potential now let

READ MORE ON PAGE 18

MANAGER'S REPORT CONTINUED

02 XPO, LEASE RESTRUCTURING

£1.4M
Annual passing rent

234,654 SQ FT
Area

4.9 YEARS
WAULT

£5.81
Rent per sq ft

£20.4M
NBV at 31 March 2021

£11.9M
Purchase price

MANAGE WELL

- New leases agreed
- 24.6% uplift to passing rents
- Site improved with car charging points and low energy lighting

READ MORE ON PAGE 19

03 VITAL PORTFOLIO

£30.0M
Sales price

£7.9M
Uplift on NBV

78.8%
Total Property Return

7.0%
Purchase NIY

4.8%
Disposal NIY

£18.2M
Purchase price

PERFORM

- Average purchase yield 7.0%
- Portfolio sold at 4.8% exit yield, +35.4% to book values
- Asset management initiatives complete with average WAULT of 7.4 years
- Proceeds reinvested into pipeline

READ MORE ON PAGE 19

MANAGER'S REPORT CONTINUED

PROPERTY REVIEW

	As at 31 March 2021
Portfolio value	**£507.6 million**
Valuation NIY	**5.1%**
Equivalent yield	**6.0%**
WAULT	**7.4 years**
Area	**5.3 million sq ft**
Contracted rent	**£30.3 million**
Average rent per sq ft	**£5.35**
Like-for-like ERV growth	**3.9%**
EPC ratings: A-C	**76%**
Total Property Return	**17.1%**

BUY WELL

In the year to 31 March 2021, the Company acquired 36 assets for a total consideration of £264.0 million (including purchaser costs) and advanced £26.2 million across five forward funded development assets, which all reached practical completion in the year.

	South East	South West	Midlands	North West	Yorkshire & NE	Scotland
Purchase price[1]	£80.0m	£30.4m	£36.3m	£44.8m	£38.0m	£22.1m
Net initial yield	5.5%	6.8%	5.8%	6.1%	6.7%	7.5%
Area (sq ft)	688,701	412,055	633,303	561,935	483,547	333,082
Contracted rent	£4.7m	£1.9m	£2.1m	£2.8m	£2.6m	£2.0m
Rent per sq ft	£7.01	£4.65	£3.32	£4.97	£5.41	£6.03
Capital value per sq ft	£119.63	£73.71	£57.32	£79.74	£78.62	£66.39

1. Excludes development sites and is stated before acquisition costs.

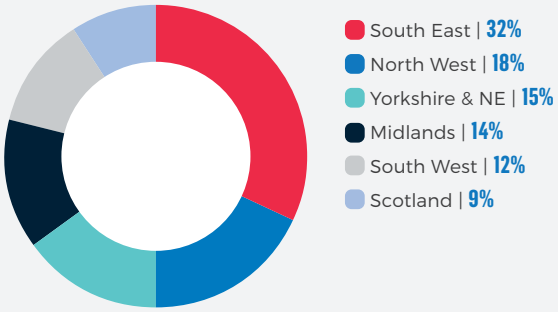
CASE STUDY: CHARLTON MEAD, HODDESDON

On 10 November 2020, the Company acquired off-market a twelve-acre site, comprising five units, for a total consideration of £34.3 million, representing a 5.4% net initial yield. The site is strategically located seven miles from the M25 and benefits from excellent access as well as a dedicated local power supply, making it a highly attractive "last-touch" distribution hub close to London.

At acquisition, three of the units were let to Muller UK & Ireland Group, a major producer and distributor of dairy products, until 2030 with a rent review in 2025. The other units were vacant, with a one-year rent guarantee from the vendor, and offered an opportunity for considerable value enhancement through asset management.

In February 2021, the vacant units were let on ten-year leases at a rent of £13 per sq ft, 15% ahead of ERV, to Fiden Studios, a location search agent. The site was then valued at the year end by CBRE at £41.4 million, representing a 20.9% uplift since acquisition.

GEOGRAPHICAL LOCATIONS FOR ASSETS ACQUIRED DURING THE YEAR ENDED 31 MARCH 2021



MANAGE WELL

The Group owns 76 assets, which have 79 different tenancies as at 31 March 2021. During the year, the Group successfully completed eight rent reviews, 14 lease re-gears and nine new lettings, which in total generated £4.6 million of additional rental income. On a like-for-like basis, excluding vacancies, contracted rental income grew by 6.5%. At the year end, there are ongoing discussions with 19 of our existing tenants on new asset management initiatives that will result in either further growth in rent or longer leases.

	No. of deals	Rental uplift	LFL rental uplift	WAULT (years)
Lettings and re-gears	23	£3.9m	9%	7.6 years
Fixed rent reviews	5	£0.3m	13%	n/a
OMV rent reviews	3	£0.4m	29%	n/a
Total	**31**	**£4.6m**	**14%**	

CASE STUDY: XPO, LEASE RESTRUCTURING

In September 2017, the Group acquired three assets let to XPO Logistics as part of a portfolio for a combined consideration of £11.9 million, which represented a weighted average net initial yield of 7.5%.

During the financial year, we granted new leases for five years on each asset, increasing the contracted rent by £0.3 million per annum, which represents an uplift on the previous passing rent of 24.6%. In addition to increasing rent and extending the term, the negotiations also included buying in all the freehold titles for each site and agreeing the installation of car charging points and low energy lighting to significantly enhance EPC ratings.

At the year end, these sites were valued by CBRE at £20.4 million, representing an uplift of 72.1% since acquisition. Like-for-like valuation uplift in the year was 55.1%, with the valuation representing a weighted average net initial yield of 5.9%.

PERFORM

On 25 March 2021, the Company unconditionally exchanged contracts to sell five assets as part of a portfolio for a total consideration of £30.0 million (excluding sales costs), representing an exit net initial yield of 4.8% and realising a Total Property Return of 78.8%.

	Bedford	Riverside Way	Burryport Road	Leicester	Holmewood
Purchase price	£2.7m	£0.8m	£4.0m	£6.7m	£5.3m
Purchase NIY	5.8%	7.3%	5.5%	6.2%	9.8%
Sales price	£4.9m	£1.7m	£5.3m	£8.5m	£9.6m
Sales price v NBV	+7.5%	+32.3%	+32.0%	+23.9%	+76.8%
Exit NIY	4.9%	5.0%	5.0%	4.8%	4.8%
Total Property Return	**109.4%**	**169.0%**	**50.5%**	**45.8%**	**114.3%**

CASE STUDY: VITAL PORTFOLIO

The five assets were acquired between April 2016 and September 2018, with a combined purchase price of £19.5 million (including acquisition costs), representing a weighted average net initial yield of 7.0%. Over the period of our ownership, we have engaged with the tenants and renegotiated all leases, increasing contracted rent by £0.2 million, representing an uplift of 12%, and increasing WAULT to 7.4 years as compared to 3.9 years at acquisition.

MANAGER'S REPORT CONTINUED

RISK CONTROLLED DEVELOPMENTS

In the year, the Company completed five development sites, which comprise eight logistics units and two electric van parks, which are expected to generate £2.1 million of additional rental income once fully let. At 31 March 2021, lettings have been agreed across three of these sites, which represents 39% of ERV; however, this increases to 89% when taking into account rental guarantees.

Completed in year	GDC	Yield on cost	Area sq ft	ERV
Lime Kilns, Hinckley	£7.2m	5.8%	64,651	£0.4m
Opel Way, Stone	£8.9m	6.3%	88,101	£0.6m
Tungsten Park, Southwater	£4.8m	5.9%	24,330	£0.3m
Peterborough Gateway	£5.7m	4.9%	45,853	£0.3m
Exeter Gateway, DC2	£8.5m	5.6%	n/a	£0.5m
Total	**£35.1m**	**5.7%**	**222,935**	**£2.1m**

OPEL WAY, STONE

Development of the site completed in September 2020. The site comprises four logistics units with a gross internal floor area of 88,101 sq ft. Stone Business Park is in an established logistics location and benefits from direct access to junctions 14 and 15 of the M6. The sites have an EPC rating of A and achieved a BREEAM rating of Very Good.

At the year end, the units were valued by CBRE at £9.5 million, representing an uplift on gross development cost of 6.1% since practical completion.

EXETER GATEWAY

In August 2020, the Company entered into a commitment to acquire a six-acre development site at Exeter Gateway, near junction 29 of the M5 motorway, which is conditionally pre-let to DHL and will be its local parcel sorting centre with a low site cover and dual service yards. This £11.2 million development site is due for practical completion by February 2022. DHL have committed to a 15-year lease with five-yearly upward-only rent reviews.

The forward funding represents a discounted entry point at a 5.3% NIY in a location known for its constrained supply of logistics facilities. It will create a prime urban logistics park with the potential to own further warehouses developed on the remaining adjacent land.

FINANCIAL REVIEW

IFRS REPORTED PROFIT

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Revenue	**24,181**	12,601
Property operating costs	**(1,307)**	(437)
Net rental income	**22,874**	12,164
Other operating income	**159**	—
Administrative expenses	**(4,230)**	(2,247)
Net finance costs	**(3,988)**	(2,714)
Adjusted earnings	**14,815**	7,203
Long-term incentive plan	**(295)**	(3,452)
Changes in fair value of investment property	**25,760**	5,691
Profit on disposal of investment property	**7,035**	575
Changes in fair value of interest rate derivatives	**287**	(657)
IFRS reported profit	**47,602**	9,360

NET RENTAL INCOME

In the financial year to 31 March 2021, the portfolio generated net rental income of £22.9 million, an increase of £10.7 million or 88% compared to the prior year. The increase was largely driven by the acquisitions made in the year following the March and October 2020 equity fundraises. On a like-for-like basis, EPRA net rental income increased by 8.3% year-on-year as a result of rent reviews and lease renewals settled in the second half of the year.

Property operating costs have increased by £0.9 million, reflecting a combination of higher vacant unit costs and three units which were acquired vacant. Of these, two units were let shortly after acquisition and one unit is currently undergoing refurbishment works. Our gross to net rental ratio remains high at 96.5% (31 March 2020: 98.3%), illustrating the strength of our business model.

The contracted annual rent roll at 31 March 2021 was £30.3 million (31 March 2020: £12.5 million). On a like-for-like basis, excluding vacancies, contracted rental income increased by 6.5% (31 March 2020: 3.4%).

ADMINISTRATIVE EXPENSES

Administrative expenses, which include all operational costs of running the business, increased by £2.0 million to £4.2 million. This is primarily due to the growth in the investment management fee following the March and October 2020 equity fundraises, and the corresponding increase in EPRA net tangible assets ("EPRA NTA").

TOTAL COST RATIO

We continue to monitor the operational efficiency of the Group through the total cost ratio, which increased to 21.3% from 18.9%. The Group's total cost ratio is expected to reduce in future periods, where gross rental income will benefit from a full period of rental income from acquisitions made in the year.

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Total costs including vacant property costs	**21.3%**	18.9%
Total costs excluding vacant property costs	**18.9%**	18.9%

MANAGER'S REPORT CONTINUED

FINANCIAL REVIEW CONTINUED

NET FINANCE COST

The weighted average cost of debt for the year was 30bps lower than the previous year at 2.9% and the Group reported a healthy interest cover ratio of 5.4x. Following the completion of the Aviva loan facility, in March 2021, the weighted average debt maturity was 3.5 years (31 March 2020: 2.7 years).

The net finance costs, excluding fair value movements of our interest rate derivatives, for the year were £4.0 million, an increase of £1.3 million from the prior year. This is explained by gross drawn debt increasing by £123.7 million to £199.4 million following the completion of the new loan facilities in the year.

PROFIT ON DISPOSAL OF INVESTMENT PROPERTIES

The Group sold five assets as part of a portfolio at the end of the year, for a total consideration of £30.0 million (excluding sales costs) which reflected a 4.8% NIY vs. 7.0% on acquisition, and realised a Total Property Return of 78.8%.

The sale price represented a 35.4% uplift on 30 September 2020 book value, resulting in a profit on disposal of £7.0 million.

IFRS PROFIT AND ADJUSTED EARNINGS

IFRS profit after tax for the year was £47.6 million (31 March 2020: £9.4 million), representing a basic and diluted earnings per share of 21.72 pence, compared with 9.95 pence for the prior year. The growth in earnings per share has been driven largely through valuation surplus and profit recognised on asset sales.

Adjusted earnings for the year were £14.8 million, which represents a £7.6 million increase when compared to the prior year. However, on a per share basis this reduced by 0.90 pence to 6.76 pence per share. This is due to the issuance of new shares and the pace of investment in new properties being partly affected by the impact of COVID-19 and the time it took to put in place new banking facilities.

A full reconciliation between IFRS profit and Adjusted earnings can be found in note 12 of the Financial Statements.

DIVIDEND

With respect to the financial year ended 31 March 2021, the Company declared the following interim dividends:

Declared	Amount pence per share	In respect of financial year ended	Paid/ to be paid
25 September 2020	3.25p	31 March 2021	23 October 2020
8 June 2021	4.35p	31 March 2021	2 July 2021

A second interim dividend of 4.35 pence per share will be paid on 2 July 2021 to shareholders on the register at the close of business on 18 June 2021. The total dividend for the year will therefore be 7.60 pence per share, which is the same as was paid in the prior year.

IFRS NET ASSETS

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Investment property[1]	**507,571**	206,980
Bank borrowings	**(199,364)**	(75,702)
Cash	**60,459**	132,280
Other net assets	**19,837**	(3,468)
EPRA net tangible assets	**388,503**	260,090
Interest rate derivatives	**(1,060)**	(1,347)
Intangible assets	**12**	17
IFRS net assets	**387,455**	258,761

1. Per CBRE independent valuation as at 31 March 2021.

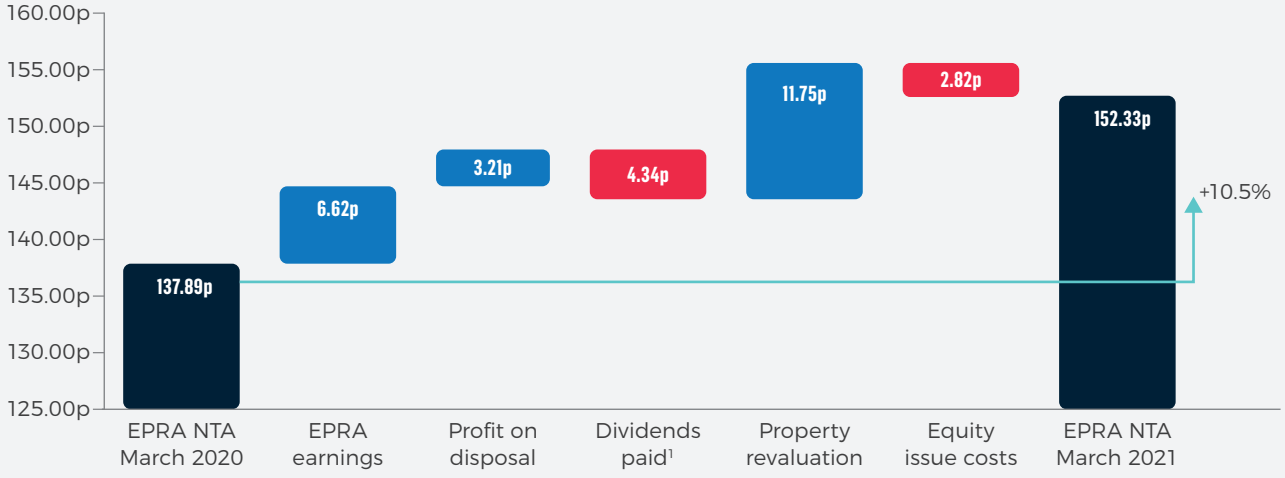
At 31 March 2021, IFRS net assets attributable to Ordinary Shareholders were £387.5 million (31 March 2020: £258.8 million), representing a basic and diluted net asset value per share of 151.92 pence (31 March 2020: 137.19 pence).

The Group considers EPRA net tangible assets ("NTA") a key measure of overall performance. At 31 March 2021, EPRA NTA were £388.5 million (31 March 2020: £260.1 million), representing an EPRA NTA per share of 152.33 pence (31 March 2020: 137.89 pence), an increase of 10.5%.

On a per share basis, both IFRS and EPRA net assets increased over the financial year to 31 March 2021, primarily due to revaluation surplus as a result of value created through asset management initiatives crystallised in the year.

The Total Accounting Return for the year, which reflects growth in EPRA NTA plus dividends paid in the year, was 15.6% (31 March 2020: 5.6%), ahead of the Group's target total return of 10-15% per annum. The average Total Accounting Return since IPO in 2016 has been 13.9%.

EPRA NTA PER SHARE BRIDGE



1. Dividend per share is based on the weighted average number of shares in issue in the year. Further information can be found in note 14 of the Financial Statements.

MANAGER'S REPORT CONTINUED

FINANCIAL REVIEW CONTINUED

PORTFOLIO VALUATION

The value of our portfolio at 31 March 2021, which includes forward funded developments, was £507.6 million. In the period, the Group invested £264.0 million in industrial and logistics properties and advanced £26.2 million of funding across five forward funded developments. In addition, the Group incurred capital expenditure of £5.7 million in the year, which principally relates to two properties acquired in the year and which are now undergoing extensive refurbishment works, which will significantly enhance capital value.

The Group recognised a valuation surplus of £25.8 million (31 March 2020: £5.7 million) upon revaluation of the portfolio. On a like-for-like basis, the portfolio generated a valuation surplus of £16.7 million, or 9.7% (31 March 2020: 4.6%). The like-for-like growth does not reflect the uplift achieved ahead of book value from the five assets on which we exchanged on 25 March 2021. The adjusted like-for-like growth would otherwise have been 13.2%.

The portfolio delivered a Total Property Return ("TPR") of 17.1% (31 March 2020: 10.1%) for the year.

FINANCING

On 7 August 2020, the Company entered into a new £151 million loan facility with Barclays, Santander and Lloyds, to replace the existing loan facility, totalling £76 million, which was due to expire in December 2022. This new facility provides a three-year term and includes an option to extend for a further two years.

On 12 March 2021, the Company entered into a £48 million loan facility with Aviva Investors which provides a seven-year term and comes at a fixed cost of 2.34%.

Both facilities were fully drawn at the year end.

Of the total debt facilities, 69% is hedged and the blended all in rate is c.2.50% (subject to movements in LIBOR).

CASH AND NET DEBT

At 31 March 2021, the Group's cash balance was £60.5 million, of which £39.5 million is earmarked for developments. Over the financial year, net debt increased by £198.2 million, to £141.7 million, representing a loan to value ("LTV") of 27.9%, which is below our medium-term target of 30-40%.

OUTLOOK

The logistics market remains in focus with property investors and logistics operators due to its outperformance and the forecast for the next few years suggests that this positive trend will continue. We remain committed to our strategy, based on our lengthy experience of the sector, and believe we can continue to acquire assets that meet our criteria and enable our assets to outperform through active asset management.

The UK continues to be one of the fastest-growing adopters of online retail sales and there is a requirement for all tenants to develop their e-fulfilment capability accordingly. As such, key geographic regions across the UK are seeing buoyant leasing activity with a record level of warehouse space under offer at the end of March 2021.

We remain ambitious as a Company and, following two equity raises in 2020, have undertaken a busy investment programme. We are busy working on these new assets, some of which are showing stellar returns already where we have secured new tenants or rents, and we maintain a focus on nurturing existing tenant relationships with a view to securing the Group's reputation as the leader in the urban logistics market.

Behavioural changes formed during the pandemic will have a lasting effect. The unstoppable growth of e-commerce concentrated five years of growth into just a few months. Similarly, online penetration for food stores remains above 10% according to ONS, almost doubling the pre-pandemic share and steering investment from all UK supermarkets to improving their online channels. We remain very confident about the prospects for future growth and the £293 million of assets we have acquired in the last twelve months will continue to add to the income and returns of the Company.

In terms of the year ahead we have a strong pipeline of attractive off market opportunities which would allow us to keep pace with our past track record of new investment.

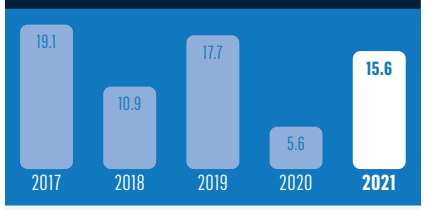
THE MANAGER

8 June 2021

KEY PERFORMANCE INDICATORS

Our aim is to deliver sustainable earnings and long-term capital growth through the execution of our strategy. We track our progress against six key performance indicators to monitor the performance of the Group.

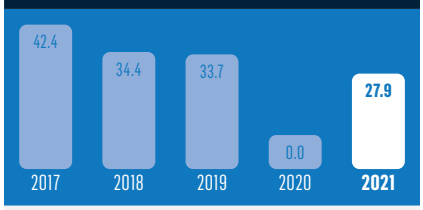
TOTAL ACCOUNTING RETURN (%)



TAR measures the movement in EPRA NTA per share plus dividends paid during the period, expressed as a percentage of the EPRA NTA per share at the beginning of the period. Our objective is to deliver long-term returns through execution of our strategy.

PERFORMANCE:
TAR of 15.6% for the year ended 31 March 2021 (31 March 2020: 5.6%).

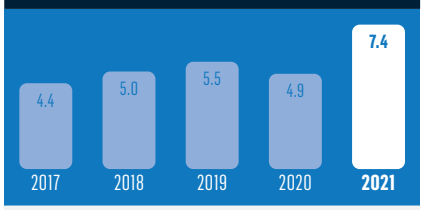
LOAN TO VALUE (%)



LTV measures the proportion of our property assets that are funded by borrowings. Our medium-term target is 30-40% of the Group's gross asset value.

PERFORMANCE:
LTV of 27.9% at 31 March 2021 (31 March 2020: n/a).

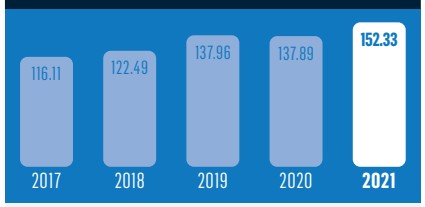
WAULT (YEARS)



WAULT is the average unexpired lease term across the invested portfolio, weighted by annual passing rents. It is used to determine the quality of our investment portfolio. Our medium-term target is five to seven years across the portfolio.

PERFORMANCE:
WAULT of 7.4 years at 31 March 2021 (31 March 2020: 4.9 years).

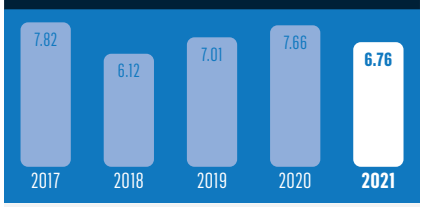
EPRA NTA PER SHARE (P)



EPRA NTA per share is the value of our assets less the book value of our liabilities, calculated in accordance with EPRA guidelines, that is attributable to our shareholders. Our aim is to build on long-term asset value growth whilst managing liabilities.

PERFORMANCE:
EPRA NTA per share of 152.33p at 31 March 2021 (31 March 2020: 137.89p).

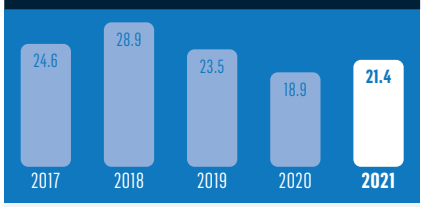
ADJUSTED EARNINGS PER SHARE[1] (P)



Adjusted EPS measures the Group's underlying operating results and provides an indication of the extent to which current dividend payments are supported by earnings. For further information see note 12 of the Financial Statements.

PERFORMANCE:
Adjusted EPS of 6.76 pence per share for the year ended 31 March 2021 (31 March 2020: 7.66 pence).

TOTAL COST RATIO (%)



The ratio of our property operating and administrative costs expressed as a percentage of the Group's gross rental income.

PERFORMANCE:
Total cost ratio of 21.4% for the year ended 31 March 2021 (31 March 2020: 18.9%).

1. A full reconciliation between IFRS earnings per share and Adjusted earnings per share can be found in note 12 of the Financial Statements.

PRINCIPAL RISKS AND UNCERTAINTIES

RISK APPETITE STATEMENT

The Group's assets are made up of UK commercial property. Its principal risks are therefore related to the commercial property market in general and also to the particular circumstances of the individual properties and the tenants within the properties. Taking this into account, the Group's risk appetite policies and procedures alongside the appropriate controls and financial reporting are regularly reviewed and updated to ensure they remain in line with regulation, corporate governance and expected industry practice.

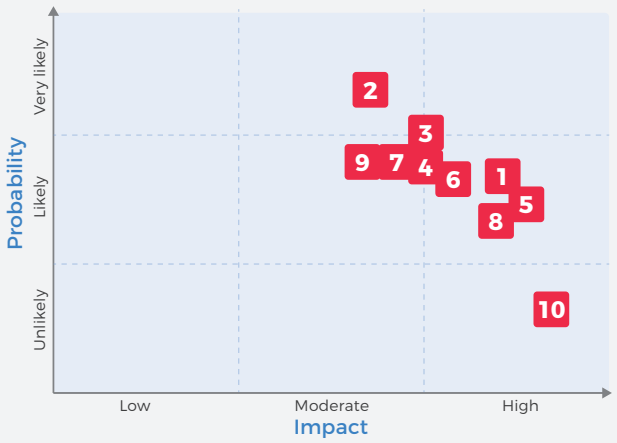
Urban Logistics complies with the three lines of defence model where under line 1, the management team at Pacific Capital Partners Limited (the "Investment Manager") take ownership of the risk and report to the Board against our agreed risk matrix. The second line of defence is built around oversight and challenge, which is the responsibility of the Board and reported on by the independent directors who make up the Audit Committee. The third line of defence is independent assurance provided by the external auditor.

The Board has performed a robust assessment of the principal strategic and operational risks facing the Company as well as assessing identifiable emerging risks. The Board formally reviews its risk matrix twice yearly but is made aware of any risk exposure either as and when it happens or at the quarterly Board meetings. The Audit Committee, which I chair, will review the process on how risk is allocated and reported while also making sure the appropriate discussions are had with the Investment Manager on their existing concerns or any threats from the external environment.

In the reported financial year, the Board has moved to a more dynamic risk management tool where each identified risk has required a two-dimensional scoring return covering likely impact and probability. This is populated by each of the Directors independently and then collated into a heat map which seeks to identify the most prescient of risks. The output from the heat map draws out ten risks which are detailed here.

BRUCE ANDERSON ACMA FCIOBS
Audit Committee Chair

RISK HEAT MAP



The Board is responsible for determining the nature and extent of the principal risks that the Group is willing to take in achieving its objectives and has carried out a robust assessment of the principal risks facing the Group, including those that would threaten the business model, future performance, solvency or liquidity.

The Board recognises that its ability to manage risk effectively throughout the organisation is central to the Group's success.

RISK	POTENTIAL IMPACT	MITIGATION
01. **A significant fall in the valuation of the Group's investment property portfolio.**	An adverse change will have a negative impact on the Group's financial performance and may also lead to a breach in our banking covenants.	The investment property portfolio is well located and has a strong tenant base with attractive asset management opportunities. These factors help to underpin our asset values. The Board continually reviews all forecast and budgetary information to ensure compliance with all banking covenants and targets gearing in the range of 30-40% LTV. Our investment property portfolio is revalued twice yearly by independent valuers. The Board has regular soundings taken on the market from external advisers.
02. **Development projects not producing targeted financial returns due to increased construction costs and/or weakening occupational demand.**	Our development projects provide an opportunity for outperformance and enhanced sustainability in exchange for slightly enhanced risk. An increase in construction costs or weakening occupational market may negatively impact underlying income and property values.	Detailed due diligence is carried out prior to committing to a development, which includes consideration of the return and funding profile relative to associated risk. We limit our development exposure to 10% of gross asset value.
03. **Weakening macro-economic environment in sector in which we operate.**	A downturn in economic conditions may impact the Group's performance by way of reduced rental income and in turn negatively affect property values.	The Group focuses on well-located assets and has a diverse tenant base across a range of sectors with limited exposure to any one tenant or sector. The Group focuses on acquiring assets with resilient values, typically 30-70% replacement cost, and are sourced off-market.
04. **Inability to raise new money to develop the business.**	If the Group is unable to raise further equity funding, it will inhibit its ability to pursue potential investment opportunities and develop out its existing pipeline.	The Group would energetically pursue asset management opportunities on the existing assets to organically grow our dividend and recycle assets.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

RISK	POTENTIAL IMPACT	MITIGATION
05. **Loss of key personnel.**	The Group places reliance on the Manager's extensive experience within the logistics sector and on its ability to provide relevant information on a regular basis.	The Management Engagement Committee is responsible for reviewing and assessing the performance of the Manager. Management contracts are in place which ensure management's interests are aligned with shareholders.
06. **Unforeseen event leading to possible business interruption – such as a notifiable disease or pandemic.**	A notifiable disease or pandemic, including COVID-19, may have an adverse impact on tenants as well as investment, financial and occupier markets and affect the Group's abilities to achieve its business objectives.	The Group has undertaken risk assessments in respect of the impact on key objectives and has appropriate response plans built through stress testing, monitoring of tenant performance and financial reviews.
07. **Cyber security attack.**	A cyber security attack could lead to significant business disruption, loss of data and reputational damage.	The IT capabilities of the Group are outsourced to a dedicated service provider, who perform regular testing of the IT security systems. Employees of the Manager undertake regular awareness training on cyber risk.
08. **A breach of banking covenants.**	A breach of our banking covenants may restrict the Group's ability to access further debt funding at appropriate rates.	The Board continually reviews the Group's liquidity and gearing levels. The Group targets an LTV of 30-40%, well within our banking covenants.
09. **Tenant default.**	A tenant default will result in reduced revenue for the Group and contribute to sub-optimal shareholder returns.	Detailed due diligence is carried out on all tenants prior to either an acquisition or new tenancy. No single tenant accounts for more than 10% of the contracted rental income. The Group has received over 99% of all rent demanded in the year.
10. **The Group must comply with the UK REIT regulations.**	If the Group fails to comply with regulation, then the Group may lose its REIT status. Any failure will impact the Group's profitability and shareholder returns.	Compliance with UK REIT regulation is continuously monitored by both the Manager and the Board. External advice is sought for specific transactions which may have an impact on the Group's REIT status. The Board has ultimate responsibility for ensuring we comply with the UK REIT regulations.

S172 STATEMENT AND STAKEHOLDER ENGAGEMENT

COMPANIES ACT 2006 SECTION 172 STATEMENT

OVERVIEW

The Directors' overarching duty is to act in good faith and in a way that will most likely promote the success of the Company, as set out in s172 Companies Act 2006. In doing so, Directors must consider the interests of the various stakeholders of the Company, the impact the Company has on the community and environment, they must maintain a reputation for high standards of business conduct and fair treatment of shareholders and take a long-term view on the consequences of the decisions they take.

Fulfilling this duty supports the Company in achieving its investment strategy and helps ensure that all decisions are made in a responsible and sustainable way.

To ensure that the Directors are aware and understand their duties, they are provided with all relevant Company information when they are appointed to the Board and receive regular updates and training on matters where appropriate. Directors also have access to the advice and services of the Company Secretary as well as independent advisers, should they wish. Directors receive technical updates from the NOMAD, the Company Secretary, and the Investment Manager as and when appropriate. The Board has a Schedule of Matters reserved for its approval which, alongside the Terms of Reference of all Board Committees, is reviewed on at least an annual basis.

RISK MANAGEMENT

The Audit Committee has responsibility for the ongoing management of the Company's risk management and internal controls. To the extent that they are applicable, risks that are set out in s172 Companies Act 2006 are included in the Company's Risk Register and are subject to regular review and monitoring.

DECISION MAKING

The importance of stakeholder considerations in the context of decision making is taken into account at every Board meeting.

STAKEHOLDERS

During the period under review, the Board has discussed which parties should be considered as stakeholders of the Company. These are detailed in the table opposite. As an externally managed Real Estate Investment Trust, the Company has no employees and outsources its operations to various service providers.

OUR CUSTOMERS

WHO ARE THEY?

Everyone who uses our buildings, that is our warehouse occupiers, their employees and guests.

WHY ARE THEY IMPORTANT TO US?

Serving our customers is the reason we exist. Our occupiers provide us with rental income, so it is essential we serve their needs and the needs of their customers.

WHAT DO THEY WANT FROM US?

Customers want us to understand and respond to their changing needs so their businesses can thrive. That means providing sustainable, efficient space and customer service.

HOW DO WE ENGAGE WITH THEM?

Through regular contact with our warehouse occupiers to understand what is important to them and to evaluate the services we provide.

Further information as to how the Company has engaged with its customers can be found on page 33.

S172 STATEMENT AND STAKEHOLDER ENGAGEMENT CONTINUED

OUR SHAREHOLDERS

WHO ARE THEY?
Those who own shares in the Company.

WHY ARE THEY IMPORTANT TO US?
Continued shareholder support is critical to the sustainability of the Company and delivery of the Company's long-term business strategy.

WHAT DO THEY WANT FROM US?
Shareholders want a clearly articulated strategy and effective communication of our progress.

HOW DO WE ENGAGE WITH THEM?
Through the Annual and Interim Reports and announcements to the market. The Company encourages and welcomes shareholder queries at its Annual General Meeting. The Chairman and CEO also make themselves available to shareholders at its Annual General Meeting.

Further information as to how the Company has engaged with its shareholders can be found on pages 37 and 38.

OUR COMMUNITIES & ENVIRONMENT

WHO ARE THEY?
Those who live in areas where we work or have assets. For example, local residents, businesses, schools and charities.

WHY ARE THEY IMPORTANT TO US?
The Board places increasing emphasis on the importance of ESG factors in its investment deliberations. The Board and the Investment Manager are fully committed to managing the business and its investment strategy responsibly.

WHAT DO THEY WANT FROM US?
Our communities want us to expect and support our tenants to be good neighbours and to engage with the local community to support a sustainable economy, jobs and environment.

HOW DO WE ENGAGE WITH THEM?
The Board has formed an ESG Committee to focus on the Company's ESG policy and to hold the Investment Manager to account for their ESG decisions.

Further information as to how the Company has engaged with our communities and environment can be found on pages 32 and 33.

OUR INVESTMENT MANAGER

WHO ARE THEY?
Pacific Capital Partners Limited.

WHY ARE THEY IMPORTANT TO US?
The Investment Manager's performance is critical for the Company to successfully deliver its investment strategy.

WHAT DO THEY WANT FROM US?
Our Manager expects the Board to provide clear direction in terms of overall strategy and investment policy.

HOW DO WE ENGAGE WITH THEM?
The Board and the Investment Manager have a close working relationship. The Manager attends the regular Board meetings and is required to seek Board approval for all major property acquisitions and disposals. The Management Engagement Committee reviews the contractual arrangements with the Investment Manager annually.

Further information as to how the Company has engaged with our Investment Manager can be found on page 43.

OUR BANKERS/CREDITORS

WHO ARE THEY?

Our principal financing partners are Barclays, Santander, Lloyds and Aviva.

WHY ARE THEY IMPORTANT TO US?

Gearing is an important part of our strategy to grow our business and deliver returns to shareholders.

WHAT DO THEY WANT FROM US?

Our financing partners expect us to purchase appropriate real estate in line with our investment parameters and maintain compliance with covenants and keep them well informed.

HOW DO WE ENGAGE WITH THEM?

We report regularly to our banks throughout the year and enjoy a good working relationship with them.

Further information as to how the Company has engaged with our bankers/creditors can be found on pages 7 and 9.

OUR PARTNERS

WHO ARE THEY?

Those who have a direct working or contractual relationship with the Company. This includes our external service providers, such as lawyers, accountants and Company Secretary.

WHY ARE THEY IMPORTANT TO US?

As we outsource all our administrative functions to external service providers, they are critical to the administration and running of our business.

WHAT DO THEY WANT FROM US?

Our partners want us to be open and straightforward in our dealings with them.

HOW DO WE ENGAGE WITH THEM?

We work to find mutually effective ways to communicate and collaborate with each group and endeavour to have constructive relationships.

Further information as to how the Company has engaged with our various service providers can be found on page 43.

APPROVAL OF STRATEGIC REPORT

The Strategic Report, including Financial Highlights, Chairman's Statement, Manager's Report, Key Performance Indicators and Principal Risks and Uncertainties, was approved by the Board of Directors and signed on its behalf by:

NIGEL RICH CBE
Chairman

8 June 2021

ESG

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

Over the course of the last year, the Board has discussed the Group's ESG policy in the context of a Group that acquires, owns, develops and disposes of real estate assets, but where the management of the business is contracted to an external management team.

Our investment focus is on last mile logistics. Management of the Group and its assets is externalised, in the hands of Pacific Capital Partners Limited.

This business model brings clarity but also limits the areas where the Board can control or influence the environmental and societal impact of our assets.

Urban Logistics is committed to creating lasting value across our business. The way we consider and assess value includes:

- how we contribute to addressing the environmental challenges facing the world;
- achieving exemplary standards of governance; and
- creating financial and wider value in our business, for our shareholders and for our wider stakeholders.

In 2020, the Board formed a Steering Group to review progress in key aspects of ESG across the last five years since IPO, and to consider the next steps for the business.

We noted a steady improvement in, and widening of, our contribution to sustainability factors, particularly in relation to our environmental impact, including in relation to:

- EPC rating improvements;
- energy data collection and monitoring;
- EPRA sustainability benchmarking;
- committing to our first Sustainable Green debt facility with Aviva; and
- introduction of green clauses in all new lease contracts.

This review reinforced the Company's commitment to safeguarding the utility and quality of our assets by building a REIT that creates a positive impact for its investors, its occupiers and the broader community. Our investors expect their funds to be invested in a sustainable way and to make a positive impact. Urban Logistics sees the proper consideration of environmental and social issues as core to our long-term future. To that end, the Steering Group recommended to the Board that a dedicated ESG Committee be formed to advise on strategy and targets for the Company's approach to ESG, and to monitor and scrutinise progress against them. This Committee was duly set up in April 2021, comprising the independent directors with Heather Hancock as Chair.

Our ESG Committee will take a strategic approach, identifying and pursuing sustainability issues where the Company has optimal capacity to make a meaningful impact. In the next twelve to 24 months, the approach will focus on the following key areas:

1. UNDERSTANDING AND MINIMISING OUR ENVIRONMENTAL IMPACT

Across the next financial year and into 2022, we will set meaningful environmental impact targets to be delivered by the Manager. These will include reducing relative levels of GHG emissions and ensuring that the environmental performance of our buildings is within regulatory parameters.

2. STEERING OUR OCCUPIERS TOWARDS POSITIVE ENVIRONMENTAL AND SOCIAL ACTION

Urban Logistics, working through the Manager, can positively influence, but does not control, our occupiers' decisions. Our goal is to see our occupiers supported and encouraged to operate more sustainably, in terms of energy efficiency, social impact, water consumption and other metrics. We will set targets in these areas.

3. SERVING OUR STAKEHOLDERS

Our stakeholders are best served by the future proofing of our assets and thus our longer-term performance, financially and beyond. We believe that ESG interventions can boost growth in sustainable income streams to achieve medium-term performance and enhance the total return over the long term.

In this recent financial year, we made our first foray into green finance with Aviva. We will review the experience, and the potential for extending our use of green finance, in the course of this next financial year.

4. EXPECTATIONS OF OUR MANAGER

We require the Manager to fully adhere to the EPRA sustainability framework ("EPRA sBPR"), and we encourage participation in other relevant national and international industry benchmarking initiatives, such as GRESB. We expect the Manager to promote transparency and collaboration with all our occupiers, including the tracking and sharing of their resource consumption data.

The ESG Committee scrutinises performance across the full suite of ESG commitments that Urban Logistics places on the Manager, as well as relevant obligations and governance requirements falling directly on the Company. It refers and reports, as appropriate, to the Board, and where appropriate to other Committees of the Board e.g. the Audit Committee on risk.

The Company and its subsidiaries are exempt from the reporting requirements for Streamlined Energy Carbon Reporting.

BOARD OF DIRECTORS

NIGEL RICH CBE FCA
Independent Non-Executive Chairman

A E M N

Date of appointment
January 2017

External appointments
Nigel is a Non-Executive Director of Matheson & Co Ltd and a Non-Executive Director and Senior Independent Director of AVI Global Trust Plc.

Experience and contribution
Nigel brings a wealth of Board experience, having operated across the globe in senior positions, most recently at Segro plc.

He was Group Chief Executive of Trafalgar House plc from 1994 to 1996, having previously spent 20 years at the Jardine Matheson Group in Asia, latterly as Managing Director of Jardine Matheson Holdings from 1989 to 1994.

He was Chairman of the Board at Hamptons International, Exel plc, Xchanging plc, CP Ships Limited and also Segro plc, from October 2006 until April 2016. His other directorships have included Pacific Assets Trust plc, Granada plc and ITV plc.

He has also served as a Member of The Takeover Panel (UK) and is a Chartered Accountant.

Last re-elected to the Board
2020

Annual remuneration
£80K

Employment by the Investment Manager
None

Other connections with the Company or Investment Manager
None

Shared external directorships with any other Company Directors
None

Shareholding in Company
365,536 Ordinary Shares

RICHARD MOFFITT
Non-Independent Director & CEO

Date of appointment
January 2016

External appointments
Richard is a designated member of European Logistics Real Estate Partners LLP and M1 Agency LLP, which is a property agency company used by the Company. Further information can be found in note 31 of the Financial Statements.

Experience and contribution
Previously an Executive Director at CBRE, where he was Head of the UK Industrial team, Richard has over 25 years' logistics experience. He has an in-depth understanding of the market's dynamics, credibility with owners and operators of real estate assets, a thorough understanding of owner and tenant requirements and an extensive network, which includes institutional funds. He is a member of the Chartered Institute of Logistics and Transport.

Last re-elected to the Board
2020

Annual remuneration
Richard has waived his right to receive any remuneration as a Director of the Company.

Employment by the Investment Manager
Richard leads the investment management team at Pacific Capital Partners.

Other connections with the Company or Investment Manager
M1 Agency LLP.

Shared external directorships with any other Company Directors
Richard Moffitt and Mark Johnson are both Partners of European Logistics Real Estate Partners LLP.

Shareholding in Company
398,362 Ordinary Shares

JONATHAN GRAY
Independent Non-Executive Director & Senior Independent Director

A E M N

Date of appointment
January 2016

External appointments
Jonathan currently works as a financial consultant to a variety of international companies and has other non-executive directorships.

Experience and contribution
Jonathan has considerable financial services experience having worked as a corporate financier for over 25 years in the City with senior roles at HSBC, UBS and NCB.

Last re-elected to the Board
2020

Annual remuneration
£45K

Employment by the Investment Manager
None

Other connections with the Company or Investment Manager
None

Shared external directorships with any other Company Directors
None

Shareholding in Company
60,000 Ordinary Shares

Key:

- Chairman
- Member
- A Audit Committee
- E Environmental, Social & Governance Committee
- M Management Engagement Committee
- N Nomination Committee

BRUCE ANDERSON ACMA FCIOBS

Independent Non-Executive Director

A E M N

Date of appointment
January 2016

External appointments
Bruce is currently a Non-Executive Director at Green Property Limited and an adviser to the Housing Growth Partnership Fund.

Experience and contribution
Bruce has considerable real estate, corporate finance and financial services experience having worked in senior roles at Lloyds, HBoS and Bank of Scotland; this includes 15 years of investment-led boardroom positions. He has experience with both real estate companies and REITs across the UK and Europe. He is a former Policy Board member of the British Property Federation.

At Lloyds, Bruce was Head of Joint Ventures for the Specialist Finance division, responsible for a mixed portfolio of real estate, including both equity and debt elements.

Last re-elected to the Board
2020

Annual remuneration
£45K

Employment by the Investment Manager
None

Other connections with the Company or Investment Manager
None

Shared external directorships with any other Company Directors
None

Shareholding in Company
50,000 Ordinary Shares

MARK JOHNSON

Non-Independent Director

N

Date of appointment
January 2017

External appointments
Mark is CEO of Pacific Investments, having co-founded the business with Sir John Beckwith. He is also a designated member of European Logistics Real Estate Partners LLP.

Experience and contribution
Mark qualified as a lawyer before working in corporate finance at Barclays Merchant Bank and Barclays de Zoete Wedd.

Mark was the CEO of the Riverside Group, one of the UK's leading leisure companies, under the chairmanship of Sir John Beckwith, and oversaw its successful sale.

Mark is (and has been) a founding partner and shareholder/director of Pacific's investment portfolio companies including Barbican Healthcare Plc, Sports & Outdoor Media International Plc, Liontrust Asset Management Plc, Thames River Capital LLP, River and Mercantile Group Plc, Argentex LLP and Pacific Asset Management LLP.

Last re-elected to the Board
2020

Annual remuneration
Mark has waived his right to receive any remuneration as a Director of the Company.

Employment by the Investment Manager
Mark is a Non-Executive Director of the Company's Investment Manager, Pacific Capital Partners Limited.

Other connections with the Company or Investment Manager
None

Shared external directorships with any other Company Directors
Mark Johnson and Richard Moffitt are both Partners of European Logistics Real Estate Partners LLP.

Shareholding in Company
193,478 Ordinary Shares

HEATHER HANCOCK LVO DL

Independent Non-Executive Director

A E M N

Date of appointment
June 2020

External appointments
Heather is Master of St. John's College, Cambridge, following a five-year term as Chair of the UK's Food Standards Agency.

Heather is a Director of Amerdale Limited, a Non-Executive Director of Rural Solutions Limited and a Trustee of the Chatsworth Settlement Trust. She is also a Deputy Lieutenant of North Yorkshire.

Experience and contribution
Heather brings many years of high level experience in strategy, governance and leadership gained in the real estate sector and wider economy.

Heather was Executive Director of Yorkshire Forward between 2000 and 2003, leading on asset realignment and the assembly of a £350 million property portfolio. She then spent a decade at Deloitte's Strategy Consulting business, serving as a Managing Partner from 2008 until her 2014 retirement and leading the firm's global services to the Olympic movement. Heather served as a trustee for The Prince's Trust for more than a decade, for which she was awarded the LVO in 2013.

Last re-elected to the Board
2020

Annual remuneration
£45K

Employment by the Investment Manager
None

Other connections with the Company or Investment Manager
None

Shared external directorships with any other Company Directors
None

Shareholding in Company
14,388 Ordinary Shares

CHAIRMAN'S CORPORATE GOVERNANCE STATEMENT

"The Board is committed to the highest standards of corporate governance and recognises its responsibility to serve the interests of shareholders by creating sustainable growth."

NIGEL RICH CBE
Chairman

QCA SUMMARY

Principle disclosure in the 2021 report:

1. Establish a strategy and business model which promotes long-term value for shareholders.
   See pages 12 to 24.
2. Seek to understand and meet shareholder needs and expectations.
   See pages 37 and 38.
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success.
   See pages 32 and 33.
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.
   See pages 26 to 28.
5. Maintain the Board as a well-functioning, balanced team led by the Chairman.
   See pages 36 and 37.
6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.
   See pages 34 and 35.
7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.
   See page 44.
8. Promote a corporate culture that is based on ethical values and behaviours.
   See page 38.
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.
   See pages 36 to 39.
10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.
    See pages 29 to 31.

The Board is committed to the highest standards of corporate governance and recognises its responsibility to serve the interests of shareholders by creating sustainable growth and shareholder value over the medium to long term, whilst also reducing or mitigating risk.

During the year ended 31 March 2021, the Company has complied with the QCA Corporate Governance Code (the "QCA Code"), which the Board has deemed to be the most appropriate corporate governance code to adopt due to the Company's size and the stage in its development. Compliance with each of the principles set out in the QCA Code is summarised in this section.

ROLE OF THE CHAIRMAN

As Chairman of the Board, I have overall responsibility for the quality of the corporate governance arrangements of the Company and the approach that is taken to ensure corporate governance compliance is achieved. The Board as a whole has responsibility and a legal obligation to promote the interests of the Company and is responsible for defining the Company's corporate governance arrangements.

My role as Chairman is to lead the Board and I am responsible for its overall effectiveness in directing the Company. I strive to promote a culture of openness and debate amongst the Board and to facilitate effective contribution from all Board members.

STRATEGY AND BUSINESS MODEL

The Company has a clear and established strategy and business model which promotes long-term value for shareholders. Further detail in this regard can be found in the Manager's Report on pages 12 to 24.

THE BOARD

The Board is responsible for determining the Company's strategy, investment policy and overseeing the Company's performance and business conduct. The Board is also responsible for supervising our Manager, Pacific Capital Partners Limited.

The Board holds formal, scheduled meetings each quarter, with additional ad hoc meetings arranged as required. The Board (and Board Committees) are provided with high quality information in advance of each meeting which enables proper debate and consideration of all matters being presented.

The Board regularly reviews the Manager's investment performance and assesses the progress of new investment opportunities. The Company's strategy is regularly reviewed in the context of a broader market outlook and future financial forecasting as well as historic financial performance is considered. The Board works closely with the Company's Nominated Adviser ("NOMAD") and broker, N+1 Singer and its joint broker, Panmure Gordon, as well as its other advisers. The Board receives reports regarding investor relations as well as regular updates from the Manager and the Company Secretary on regulatory and compliance matters.

The Board has direct access to the services of its Company Secretary, Link Company Matters Limited ("Company Matters"), who were appointed as Company Secretary on 1 February 2021, as well as a range of other service providers. Company Matters, in their role as Company Secretary, are responsible to the Board for ensuring that Board and governance procedures are followed, and that applicable rules and regulations are complied with. When deemed necessary, the Board may seek independent professional advice in the furtherance of their duties, at the Company's expense.

The Company's Senior Independent Director is Jonathan Gray. He provides a channel for any shareholder concerns regarding the Chairman and leads the Chairman's annual performance evaluation.

The Company has arranged a Directors' and Officers' liability insurance policy which includes cover for legal expenses. The policy remains in force as at the date of this report.

DIRECTORS

The Board possesses a sufficient balance of skills, relevant sector experience, and knowledge to ensure the Board as a whole functions well and that discussions and/or decisions are not dominated by any one Director. The collective experience amongst the Board includes senior board level/chairmanship positions, financial services experiences, and directorships within the property sector, all of which contribute expertly to the deliberations of the Board.

The majority of Directors are independent from the Manager. Those Directors deemed to be independent can be found in the Director biographies on pages 34 and 35 and in the table below on page 39.

All Directors are expected to attend Board and Committee meetings and to devote sufficient time to the Company's affairs to fulfil their duties as Directors. Each Director is satisfied that they have sufficient time to commit to their individual role and responsibilities on the Board. The time commitment involved from each Director involves preparation for meetings, meeting attendance, as well as ad hoc meetings with the Manager and external advisers as required. Individual Directors are responsible for their own professional development and for ensuring their skills and expertise are refreshed in order to support their role on the Board.

BOARD PERFORMANCE

Further details regarding the Board evaluation process conducted by the Board during the year ended 31 March 2021 can be found in the Nomination Committee Report on page 44.

SHAREHOLDER ENGAGEMENT

We are confident in our approach to ongoing communication with our shareholders and recognise the value in positive shareholder engagement. We strive to understand and meet our shareholders' needs and expectations.

Our website is kept up to date with information to help investors keep in touch and to understand our business. The website is in the process of being refreshed and updated to ensure key information is more accessible to shareholders and is expected to go live shortly.

The Manager meets with shareholders and investors on behalf of the Board by way of shareholder roadshows (which, during the year ended 31 March 2021, have typically been virtual meetings since the onset of the COVID-19 pandemic) to discuss our results, which have proven to be a popular and effective way to engage with shareholders and develop our understanding of their needs and expectations.

The Manager provides feedback to the Board following these roadshows and also regularly updates the Board with the views of shareholders and analysts.

We encourage two-way communication with both institutional and private investors, and shareholders are encouraged to write to the Company via the Company Secretary at the registered office address, should they wish. We endeavour to respond promptly to all enquiries.

CHAIRMAN'S CORPORATE GOVERNANCE STATEMENT CONTINUED

SHAREHOLDER ENGAGEMENT CONTINUED

ANNUAL GENERAL MEETING

The ongoing impact of the COVID-19 pandemic led to the imposition of government restrictions on public gatherings and the Board was disappointed to be unable to invite shareholders to attend the Annual General Meeting in person in 2020. The Board recognises and appreciates the engagement with shareholders that takes place at the Annual General Meeting.

However, in accordance with current government instructions and guidance regarding COVID-19 and the restrictions in place on social contact, public gatherings, and non-essential travel, regrettably shareholders will also be unable to attend the 2021 AGM in person. The safety and well-being of our shareholders remains our priority. Arrangements will be made to ensure that the legal requirements to hold the meeting will be satisfied and the format of the meeting will be purely functional. The meeting will comprise only the formal votes and no business updates will be given. Shareholders are therefore encouraged to vote on all resolutions online or by appointing the Chairman as proxy.

Shareholders will note that a resolution is to be put to shareholders for approval at the forthcoming AGM to amend the Company's Articles of Association to enable the Company to hold virtual or hybrid general meetings in the future.

For further information please see the Notice of Annual General Meeting on pages 87 to 92.

Any further updates regarding the Annual General Meeting will be made via the appropriate Regulatory Information Service and on the Company's website (**www.urbanlogisticsreit.com**).

Shareholders will be given the opportunity to ask questions in advance of the Annual General Meeting. Shareholders are encouraged to email ir@urbanlogisticsreit.com and they will be responded to in writing on the Company's website.

The voting results of the 12 July 2021 Annual General Meeting will be announced to the market once it has been held.

RISK MANAGEMENT AND INTERNAL CONTROL

The Directors acknowledge that they have overall responsibility for the Company's risk management and internal control systems and for reviewing their effectiveness. An ongoing process has been implemented for identifying, evaluating and managing the principal and emerging strategic and operational risks faced by the Company. This process has been in place for the year ended 31 March 2021. The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Company's objectives and it should be recognised that such systems can only provide reasonable, not absolute, assurance against material misstatement or loss.

Pages 27 and 28 set out the Company's Principal Risks and Uncertainties. The Company's Risk Appetite Statement can be found on page 26.

CULTURE

The Board acknowledges that it has the responsibility to "set the tone from the top" in terms of the culture and ethical behaviours of the Company and strives to promote a culture that is based on sound ethical values and behaviours. This is achieved by ensuring sound corporate governance frameworks and Company policies are in place and ensuring the Manager is appropriately challenged and held to account for its investment decisions. This culture is consistent with the Company's business model and strategy and facilitates the best possible opportunity to build a high quality, diversified logistics property portfolio by conducting exceptional asset management and delivering sector-leading returns to investors.

The Board expects all service providers, including its Manager, to exhibit high standards of ethical behaviour and for the employees of the service providers to behave in a professional and respectful manner. Further detail regarding the Management Engagement Committee's review of all service providers can be found on page 43.

The Company's Section 172 Statement can be found on pages 29 to 31.

BOARD COMMITTEES

The Board has delegated a number of responsibilities to its Audit, Nomination and Management Engagement Committees. Each Committee has Terms of Reference in place, which outline the duties of those Committees that are delegated from the Board, including their statutory and regulatory responsibilities. The Terms of Reference are reviewed on at least an annual basis. The Board accepts that while these Committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board. Details on each Committee and a report of the activities undertaken during the year ended 31 March 2021 can be found on pages 40 to 44.

The Board has not established a Remuneration Committee and Director remuneration is considered by the Board as a whole. Further information regarding Director remuneration can be found in the Directors' Report on page 47. A copy of each Committee's Terms of Reference can be found on our website **www.urbanlogisticsreit.com**.

Since the end of the financial year, the Board has formed an Environmental, Social & Governance ("ESG") Committee which is chaired by Heather Hancock and whose membership comprises all independent Directors. An ESG Steering Group met to discuss the formation of this Committee and the Board has formally approved its creation. As at the date of this report there have been no formal meetings of the ESG Committee. Further information regarding the Company's approach to ESG can be found on pages 32 and 33.

The membership of the Board Committees is as follows:

Name	Independent	Audit Committee	Nomination Committee	Management Engagement Committee
Nigel Rich CBE	✓	Member	Chairman	Chairman
Bruce Anderson	✓	Chairman	Member	Member
Heather Hancock	✓	Member	Member	Member
Jonathan Gray[1]	✓	Member	Member	Member
Richard Moffitt	—	—	—	—
Mark Johnson	—	—	Member	—

1. Senior Independent Director.

Richard Moffitt and Mark Johnson are not deemed to be independent due to their existing roles at, and interest in, the Manager. Both Richard and Mark exclude themselves from voting on matters concerning Pacific Capital Partners Limited and during the approval of property sales and acquisitions proposed to the Board by the Manager, or where there is any other perceived potential conflict of interest. Despite their non-independence, the Board considers that both Richard and Mark remain able to provide constructive challenge and scrutiny to the Board, as well as valuable and relevant skills and experience.

MEETING ATTENDANCE

During the year ended 31 March 2021, there were 15 Board meetings. The Company is currently in a growth phase, so the Board convened a substantial number of additional meetings during the year, to consider and undertake equity fundraisings and investment or divestment opportunities.

Details of Directors' attendance at each of the scheduled Board and Committee meetings during the year are set out below.

	Board	Audit Committee	Management Engagement Committee	Nomination Committee
Nigel Rich CBE	15/15	6/6	1/1	2/2
Bruce Anderson	15/15	6/6	1/1	2/2
Jonathan Gray	15/15	6/6	1/1	2/2
Heather Hancock[1]	9/9	3/3	1/1	1/2
Richard Moffitt	15/15	—	—	—
Mark Johnson	15/15	—	—	1/2

1. Appointed during the year on 15 June 2020.

CONFLICTS OF INTEREST

The Articles of Association allow the Board to authorise potential conflicts of interest that may arise, subject to imposing limits or conditions when giving authorisation if this is appropriate. Only independent Directors (who have no interest in the matter being considered) will be able to take the relevant decision and, in taking the decision, the Directors must act in a way they consider will be most likely to promote the Group's success. Procedures have been established to monitor actual and potential conflicts of interest on a regular basis, and the Board is satisfied that these procedures are working effectively.

The Manager regularly uses M1 Agency LLP ("M1") for its purchase and sale of assets. M1 is a limited liability partnership in which Richard Moffitt has an interest. Each property transaction introduced by M1 is reviewed by the independent Directors to ensure that the fees paid to M1 are incurred on an arm's length and commercial basis. The Company ensures full compliance with AIM Rule 16 and disclosure of all relevant related party transactions are disclosed to the market where required. The independent Directors consult with N+1 Singer Advisory LLP to ensure each related party transaction is considered fair and reasonable in so far as the Company's shareholders are concerned.

ANTI-BRIBERY AND CORRUPTION

The Manager has a zero-tolerance anti-bribery and corruption policy and is committed to carrying out business fairly, honestly and openly. The Manager undertakes annual regulatory training on anti-money laundering and anti-bribery and corruption. The Manager has a Compliance Officer in place who monitors adherence to anti-bribery and corruption policies. The Company has a whistleblowing policy with appropriate links to the Chairman and/or Audit Committee Chairman.

NIGEL RICH CBE
Chairman

8 June 2021

AUDIT COMMITTEE REPORT

I am pleased to present the Audit Committee Report for the year ended 31 March 2021.

BRUCE ANDERSON ACMA FCIOBS
Chairman of the Audit Committee

COMPOSITION

The Audit Committee is comprised of myself as Chairman, Nigel Rich, Jonathan Gray and Heather Hancock, all of whom are independent non-executive directors. All Audit Committee members consider that, individually and collectively, they are each independent and appropriately experienced to fulfil their role on the Audit Committee within the sector in which the Company operates. Further detail regarding individual Director experience can be found within the Director biographies on pages 34 and 35.

RESPONSIBILITIES

Clearly defined Terms of Reference for the Audit Committee, which were reviewed and updated during the year, have been established by the Board.

The Audit Committee's primary responsibilities are:

- to monitor and challenge the integrity of the Company's Half-Yearly and Annual Reports and Financial Statements and any other formal announcement relating to the Company's financial performance;
- to review the accounting policies of the Company, and any changes to these that may impact the Financial Statements;
- to assess the principal and emerging risks facing the Company that would threaten its business model, future performance, solvency or liquidity, and to review the adequacy and effectiveness of the Company's risk management and internal controls systems and that of the Manager;
- to advise the Board, where requested, on whether the Annual Report and Financial Statements are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's financial position and performance, business model and strategy;
- to review the Company's procedures on whistleblowing and fraud detection and to review the Company's systems and controls for the prevention of bribery, receiving any reports from the Manager on non-compliance;
- to review the appropriateness of the half-year and year-end individual property valuations and the independence of the external valuers;
- to review and monitor the auditor's independence and objectivity and the effectiveness of the external audit process; and
- to make recommendations to the Board in relation to the re-appointment of the auditor and to approve the auditor's remuneration and terms of engagement.

MATTERS CONSIDERED DURING THE YEAR

The Committee met on six occasions during the year. Details of the attendance at those meetings can be found on page 39. At those meetings, the Audit Committee has:

- reviewed and considered the Company's property portfolio valuation in conjunction with the independent valuer at the half year and year end;
- reviewed the Company's Financial Statements for the half year and year end and made recommendations to the Board;
- reviewed the Company's Going Concern Statement;
- considered the impact of COVID-19 on the Company's Financial Statements and financial performance;
- assisted the Board in its consideration of environmental, social and governance matters;
- reviewed the internal controls and risk management procedures of the Company and of the Manager;
- recommended the appointment of RSM UK Audit LLP ("RSM") as auditor of the Company to the Board for approval and for the approval of shareholders at the 2021 Annual General Meeting; and
- reviewed its own performance as an Audit Committee and its own Terms of Reference.

The independent Directors meet in private with the lead Partner of the Company's auditor on an annual basis and this will continue with RSM going forward. The Audit Committee Chairman has regular contact with the external auditor throughout the year and particularly during the preparation of the Annual Report and Financial Statements.

The principal issues considered by the Audit Committee were:

VALUATION PROCESS AND ASSET MANAGEMENT

Discussions have been held with the Manager and the independent valuer about the property portfolio valuation process, asset management and the systems in place at the Manager to ensure the accuracy of the valuation of the Company's property portfolio. The Audit Committee has received assurances from the Manager about the robustness of their valuation system and asset management capabilities, particularly with regard to the impact of COVID-19 on the portfolio valuation. To enable a full discussion of the valuation, the valuer attended the Audit Committee meeting in May 2021. Further information regarding the valuation of the portfolio can be found below on page 42.

INTERNAL CONTROLS

During the year, the Audit Committee has reviewed and updated, where appropriate, the Company's risk matrix. This is considered on an ongoing basis and is in line with the Company's Risk Appetite Statement.

The Manager reports in writing to the Audit Committee and Board on operational and compliance issues prior to each quarterly meeting, and otherwise as necessary. The Manager reports directly to the Audit Committee concerning the internal controls applicable to the Manager's investment and office procedures, including information technology systems.

MAINTENANCE OF REIT STATUS

The UK REIT regime enables the Group, so long as strict criteria are met, to benefit from favourable income and capital gains tax treatment. During the year ended 31 March 2021, the Audit Committee has therefore monitored the Company's compliance status and has considered the requirements for the maintenance of the Company's REIT status throughout the year.

EXTERNAL AUDIT TENDER

In the third quarter of the year ended 31 March 2021, the Audit Committee conducted a formal and competitive external audit tender process. This was undertaken as, due to the Company's increased market capitalisation, the Company qualifies as an Other Entity of Public Interest ("OEPI") for audit regulatory purposes.

As announced to the market on 15 February 2021, Nexia Smith & Williamson ("NSW") resigned as the Company's auditor with effect from that date, as NSW do not audit listed OEPIs. Upon resignation NSW confirmed that there were no matters which it wished to bring to the attention of the Board or the Company's shareholders. The Audit Committee and Board thank NSW for their support and advice which has enabled the Company to grow so successfully over the last five years since listing on the AIM market.

Following the external audit tender process, the Audit Committee recommended to the Board that RSM be appointed auditor, whose high-quality team have experience in auditing OEPIs across the REIT sector. A resolution to formally appoint RSM will be put to shareholders at the forthcoming Annual General Meeting.

AUDIT COMMITTEE REPORT CONTINUED

RSM AUDIT FEES

The audit fee for the review of the Annual Report, including related assurance services, is shown in the table below:

	2021 £'000	2020 £'000
Audit fees including related assurance services	**100**	92

There were no non-audit related fees paid to RSM during the year.

The prior year audit and related assurance services fees were paid to NSW.

NON-AUDIT FEES/INDEPENDENCE AND OBJECTIVITY OF THE AUDITOR

The Audit Committee reviews the scope and nature of all proposed non-audit services before engagement to ensure that the independence and objectivity of the auditor is safeguarded. The Board's policy is that non-audit services may be carried out by the Company's auditor unless there is a conflict of interest or someone else is considered to have more experience.

The Committee recognises the importance of auditor objectivity and has reviewed the level of non-audit fees as noted in the table below to ensure the independence of NSW (who carried out the non-audit services to date) was not compromised. In reviewing auditor independence, the Committee has considered the nature of non-audit services provided, quantum of fees charged, the expectation of fee recurrence, and the internal controls applied by NSW to mitigate potential or perceived conflicts.

	2021 £'000	2020 £'000
Non-audit fees:		
Transaction-related services	**–**	10
Capital raise fees	**–**	–
Total	**–**	10

INTERNAL AUDIT

The Audit Committee considered the need for an internal audit function during the year and determined that it was not necessary or appropriate given the current size of the Group. The Group is managed by the Manager; as such, the Audit Committee relies on the Manager's internal systems and controls. The Finance Director of the Manager is invited to attend most Board meetings and in addition the Chairman of the Audit Committee has a separate meeting with the Finance Director twice a year ahead of the issuance of the Half-Yearly and Annual Reports.

VALUATION OF PROPERTY PORTFOLIO

The Group has investment properties totalling £507.6 million as at 31 March 2021. In accordance with IAS 40: Investment Property, investment property is carried at its fair value as determined by an external valuer.

This valuation has been conducted by CBRE and has been prepared as at 31 March 2021, in accordance with the RICS valuation – Professional Standards UK January 2020 (the "Red Book"). The Committee met with the team from CBRE in May 2021 and discussed the assumptions underlying the individual property valuations and has concluded that the valuation is appropriate.

REIT STATUS

The Group must comply with the UK REIT regulations to continue to benefit from the favourable tax regime. The Manager prepares and monitors the REIT tests which are reported to the Board on a quarterly basis. The Audit Committee is satisfied that there is full compliance with the UK REIT regulations and notes the significant headroom for the financial year.

FAIR, BALANCED AND UNDERSTANDABLE

As a result of the work performed, the Audit Committee has concluded that the Annual Report for the year ended 31 March 2021 is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy, and has reported on these findings to the Board.

BRUCE ANDERSON ACMA FCIOBS
Chairman of the Audit Committee

8 June 2021

MANAGEMENT ENGAGEMENT COMMITTEE REPORT

"The Manager's performance was considered to be of a high standard and continuation of their service was considered to be in the best interests of shareholders as a whole."

NIGEL RICH CBE
Chairman of the Management Engagement Committee

COMPOSITION

Nigel Rich CBE is Chairman of the Management Engagement Committee, which comprises all of the independent Directors. The Directors deemed to be independent are shown in the Director biographies on pages 34 and 35 and in the table on page 39.

RESPONSIBILITIES

The key responsibility of the Management Engagement Committee is to review the services and performance of the Company's Manager and other external service providers. The Management Engagement Committee has a formal process in place to conduct an annual review of all third-party service providers and will conduct ad hoc reviews of any service provider where necessary. The results of their review are shared with individual service providers. The Management Engagement Committee also reports the results of the review to the Board.

MATTERS CONSIDERED DURING THE YEAR

The Management Engagement Committee met once during the year and the reviews were undertaken.

THE MANAGER

The Board delegates the execution of its investment strategy and business model to the Manager, subject to the Board being kept informed of all material property acquisitions and disposals, including development projects.

The Management Engagement Committee reviewed the contractual relationship and engagement terms of the Manager and their performance. The Management Engagement Committee agreed no changes were deemed necessary to the Manager's contractual engagement terms. The Manager's performance was considered to be of a high standard and continuation of their service was considered to be in the best interests of shareholders as a whole.

It was noted that the Manager, following the two capital raises, had increased the number of property and finance staff committed to the Company. The importance of good co-operation between the property and finance functions was fully recognised and supported by the Manager. The importance of the key members of the property team to the ongoing success and growth of the Company was also considered.

OTHER SERVICE PROVIDERS

The Board approved the change in Company Secretary from Vistra Company Secretaries Limited to Company Matters, which has taken effect from 1 February 2021. Due to the recent date of their appointment, it was agreed not to review the services of Company Matters.

A recent change to the public relations provider was also noted and no review of their services was undertaken.

All other service providers were reviewed, and their terms of engagement and their performances were considered to be satisfactory and in the best interests of the Company.

The Management Engagement Committee reviewed the relationship with M1 Agency LLP in which Richard Moffitt, a Director of the Company, is a Partner. M1 Agency is used regularly as an agent for the purchase and disposal of assets, but not exclusively. The Management Engagement Committee was satisfied that M1 Agency LLP provided a valuable service to the Company and that its fees were market competitive and fully disclosed to the market as required. The Finance team at the Manager and the independent members of the Board scrutinised all proposals received from M1 Agency. Further details of how conflicts of interest are managed can be found on page 39.

NIGEL RICH CBE
Chairman of the Management Engagement Committee

8 June 2021

NOMINATION COMMITTEE REPORT

The results of the Board evaluation confirmed that Directors and Committee members continued to work well collectively and that all Directors contributed to promoting the success of the Company and advancing its strategy and business model.

NIGEL RICH CBE
Chairman of the Nomination Committee

COMPOSITION

Nigel Rich CBE is Chairman of the Nomination Committee. The Nomination Committee comprises all of the independent Directors and Mark Johnson. The Directors deemed to be independent are shown in the Director biographies on pages 34 and 35 and in the table on page 39.

RESPONSIBILITIES

The role of the Nomination Committee is to regularly review the structure, size and composition of the Board and to lead the appointment of new Directors to the Board as and when appropriate. The Nomination Committee considers resolutions relating to the election and re-election of Directors at each Annual General Meeting and considers the orderly succession planning of the Board.

MATTERS CONSIDERED DURING THE YEAR

The Committee met twice during the year ended 31 March 2021 to consider and recommend to the Board the appointment of Heather Hancock as an independent non-executive director and to review the recommendations arising from the Board evaluation process.

BOARD EVALUATION

In order to review the effectiveness of the Board as a whole, its Committees, the individual Directors (including the independence of each Director) and the Chairman, the Company undertakes a thorough Board evaluation process by way of an extensive, tailored Board evaluation questionnaire. This process enables each Director to evaluate, assess and reflect on the Board's operations, individual Director contributions and the Company's leadership with a view to identify any shortcomings and address any areas requiring improvement.

For the year ended 31 March 2021, the Board evaluation process was led by the Chairman and the evaluation of the Chairman was led by Senior Independent Director, Jonathan Gray.

The results of the evaluation confirmed that Directors and Committee members continued to work well collectively and that all Directors contributed to promoting the success of the Company and advancing its strategy and business model. The key areas of focus arising from the Board evaluation were succession planning, and on ensuring the appropriate consideration is given to Board diversity and the development of a clear and structured induction plan for newly appointed Directors. The Company has demonstrated improvement in its Board diversity (a focus of the previous Board evaluation) following its appointment of Heather Hancock to the Board, in June 2020.

The Nomination Committee acknowledges that, as the Company evolves, the mix of skills and experience on the Board may change and Board composition may change to reflect this. Whilst there are no immediate plans to appoint any additional Directors to the Board, the Nomination Committee will work closely with the Board, at the appropriate time, to identify the skills, experience, personal qualities and capabilities required for the next stage in the Board's development.

The planned activities for the financial year 2021 include a Board evaluation, which will be carried out by Company Matters, as well as consideration of environmental, social and governance matters, the identification of further professional development opportunities for Board members and the consideration of further engagement with key investors.

NIGEL RICH CBE
Nomination Committee Chairman

8 June 2021

DIRECTORS' REPORT

REPORT AND FINANCIAL STATEMENTS

The Directors are pleased to present their report together with the audited Financial Statements of the Company for the year ended 31 March 2021.

CORPORATE GOVERNANCE

The Corporate Governance Statement can be found on pages 36 to 39 and forms part of the Directors' Report.

DIRECTORS

The current Directors of the Company were in office during the whole of the year ended 31 March 2021, with the exception of Heather Hancock who was appointed on 15 June 2020. The biographies of all Directors can be found on pages 34 and 35. As at 31 March 2021 the Board consisted of five male Directors and one female Director.

All Directors will stand for re-election at the Company's Annual General Meeting on 12 July 2021. Further details regarding the Company's selection and appointment of Directors can be found in the Nomination Committee Report on page 44.

The rules concerning the appointment and replacement of Directors are governed within the Company's Articles of Association and relevant company law.

SHARE CAPITAL

On 15 October 2020, the Company issued 66,429,798 new Ordinary Shares, which were admitted to trading on the AIM Market of the London Stock Exchange.

As at 31 March 2021, the Company's issued share capital comprised of 255,045,821 Ordinary Shares of one pence each. No shares are held in treasury (31 March 2020: nil).

As at 31 March 2021, there is only one class of share in issue and there are no restrictions on the voting rights attached to the shares or the transfer of securities in the Company. All Ordinary Shares are fully paid.

The Company made no purchase of its own shares during the year and the rights attached to the Company's shares are set out in the Company's Articles of Association. Further details regarding the Company's issued share capital are set out in note 26 of the Financial Statements.

SUBSTANTIAL SHAREHOLDINGS

As at 31 March 2021, the Company is aware that the following shareholders have an interest of 3% or more in the Ordinary Shares of the Company:

	Number of shares held	Percentage of issued share capital (%)
Rathbone Investment Management Limited	12,772,404	5.01
Franklin Templeton Fund Management Limited	12,123,200	4.75
Janus Henderson Investors (UK)	10,701,354	4.20
FIL Investment International	9,992,584	3.92
M&G Investments	9,841,397	3.86
Sir John Beckwith and associates	9,529,976	3.74
Hargreaves Lansdown Asset Management	8,672,903	3.40
Raymond James Investment Services Ltd	8,453,966	3.31
Legal & General Investment Management Ltd	8,444,159	3.31
Hawksmoor Investment Management LTD	8,243,025	3.23
JM Finn & Co	7,836,543	3.07

Sir John Beckwith and associated interests amount to 3.74% of the issued share capital at 31 March 2021.

No changes in substantial shareholdings have been notified to the Company since 31 March 2021 and the date of this report.

DIRECTORS' REPORT CONTINUED

THE MANAGER

Under the Investment Management Agreement, the Board has delegated day-to-day responsibility for running the Company to the Manager, who manage all property transactions. They are supported administratively by the Manager's professional staff. Richard Moffitt and Christopher Turner are the principal members of the team and report to the Board at each meeting and other members of the management team attend as required.

The Manager regularly uses for its purchase and sales of assets, M1 Agency LLP, a limited liability partnership in which Richard Moffitt has an interest. Each transaction is reviewed by the Manager (excluding Richard Moffitt) and by the independent Directors to ensure that the fees payable are in line with market fees and practice. The total fees paid in the year amounted to £2.1 million. For details as to which Directors are independent to the Manager, please see the Director biographies on pages 34 and 35 and the table on page 39.

The Management Engagement Committee annually reviews the Manager's performance and makes recommendations to the Board as to their continuing appointment. Further information can be found in the Management Engagement Committee Report on page 43.

The Investment Management Agreement was extended in July 2018 and runs to April 2024, with a twelve-month termination provision. This was most recently reviewed by the Board in February 2021 and no changes were proposed.

The Board believes that the success of the Company depends, in part, on the future performance of the Manager. The Directors also recognise the importance of ensuring the Manager is incentivised to achieve the long-term success of the Company, for the best possible outcome for shareholders.

The Board reviewed the Company's management incentive arrangements in March 2020 and the following terms were agreed to the annual management fee and the long-term incentive plan ("LTIP"). These terms were last reviewed by the Board in February 2021 and no further changes were made.

ANNUAL MANAGEMENT FEE

The Company will pay the Manager the following fees, payable quarterly in arrears;

- 0.95% per annum of the Group's EPRA NTA up to and including £250 million;
- 0.90% per annum of the Group's EPRA NTA in excess of £250 million and up to and including £500 million; and
- 0.85% per annum of the Group's EPRA NTA in excess of £500 million.

LTIP

The excess return on both elements of the LTIP payable to the Manager is 5%.

The LTIP is calculated by reference to total value created as follows:

- the excess EPRA NTA return payable to the Manager shall be calculated by reference to the increase in the Company's EPRA NTA (adjusted for any new issue of shares) rather than by reference to an increase in the EPRA NTA per Ordinary Share;
- the excess share price return payable to the Manager shall be calculated by reference to the increase in the market capitalisation of the Company (adjusted for any new issue of shares) rather than by reference to an increase in the market price of an Ordinary Share; and
- the LTIP payment shall be capped at three times the average annual management fees paid from 7 February 2020 to the next calculation date, being September 2023.

For further information, please see note 13 of the Financial Statements.

FINANCIAL RESULTS AND DIVIDENDS

IFRS profit after tax for the year was £47.6 million (31 March 2020: £9.4 million), representing a basic and diluted earnings per share of 21.72 pence, compared with 9.95 pence for the prior year. The growth in earnings per share has been driven largely through valuation surplus and profit recognised on asset sales.

Adjusted earnings for the year were £14.8 million, which represents an £7.6 million increase when compared to the prior year. However, on a per share basis this reduced by 0.90 pence to 6.76 pence per share. This is due to the issuance of new shares and the pace of investment in new properties being partly affected by the impact of COVID-19 and the time it took to put in place new banking facilities.

During the year, the following interim dividends were paid:

Description	Pence per share	Payment date	Financial year
Second interim dividend	3.85	21 April 2020	2020
First interim dividend	3.25	23 October 2020	2021

The total dividends paid and proposed in respect of the period ended 31 March 2020 were 7.60 pence.

A second interim dividend in respect of the year ended 31 March 2021 of 4.35 pence per share will be paid on 2 July 2021. This takes the total dividend paid and declared in respect of the year ended 31 March 2021 to 7.60 pence.

DIRECTORS' INTERESTS AND REMUNERATION

DIRECTORS' SHAREHOLDINGS

The interests of the Directors (and any person closely associated) in the shares of the Company are set out below.

Director	Number of Ordinary Shares held	Percentage of issued share capital as at 31 March 2021 (%)
Nigel Rich CBE (Chairman)	365,536	0.14
Bruce Anderson	50,000	0.02
Jonathan Gray	60,000	0.02
Heather Hancock	14,388	0.01
Mark Johnson	193,478	0.08
Richard Moffitt	398,362	0.16

Pacific Industrial LLP has an interest in a total of 2,330,164 Ordinary Shares. Mark Johnson and Richard Moffitt are members of the LLP.

DIRECTORS' REMUNERATION

As disclosed on page 38 the Board has not formed a Remuneration Committee and the Board as a whole is responsible for determining Director remuneration. In July 2020, the Board considered the level of Directors' fees for the year ended 31 March 2021 and undertook a benchmarking exercise against peer group companies' director remuneration. The Board agreed to increase the level of Director remuneration in order to reflect the specific circumstances of the Company, the duties and responsibilities of the Directors, and the value and amount of time committed by each Director to the Company's affairs. As a result of this exercise the Board agreed to increase Director remuneration as follows:

The base annual Non-Executive Director fee was increased from £35k to £40k. The Chairman's fee was increased from £75k to £80k. Furthermore, it was agreed that the Audit Committee Chairman and the Senior Independent Director would receive an additional £5k each. The fee increases took effect from 1 July 2020.

Two Directors are also set to benefit from the long-term incentive plan ("LTIP"). For further information, refer to related party transactions in note 30 of the Financial Statements.

Director	Annual fee £'000	Total to 31 March 2021[1] £'000
Nigel Rich CBE (Chairman)	80	79
Bruce Anderson	45	43
Jonathan Gray	45	43
Heather Hancock	40	32
Mark Johnson[2]	—	—
Richard Moffitt[2]	—	—

1. Including a pro rata fee from 1 April 2020 to 1 July 2020.
2. Mark Johnson and Richard Moffitt have waived their right to remuneration as Directors of the Company.

The Board agreed that Heather Hancock's annual remuneration be increased to £45k per annum (effective 1 May 2021) to include an additional £5k to reflect her additional responsibilities as Chairman of the Environmental, Social & Governance Committee. No further changes to Director remuneration were made.

DIRECTORS' REPORT CONTINUED

EMPLOYEES

The Group has no employees.

FINANCIAL INSTRUMENTS

Details of the financial instruments used by the Group and financial risk management policies can be found in note 23 of the Financial Statements and in the Principal Risks and Uncertainties section on pages 26 to 28.

POLITICAL DONATIONS

No political donations were made by the Company or its subsidiaries during the year.

GOING CONCERN

The Directors have reviewed the current and projected financial position of the Group, making reasonable assumptions about future trading performance. As part of the review, the Group has considered its cash balances, its debt maturity profile, including undrawn facilities, and the long-term nature of the tenant leases.

As part of their Going Concern review, the Directors have carefully considered the impact on the Group of the COVID-19 pandemic. Management, who have transitioned to remote working without any issues, endeavours to engage with tenants on a quarterly basis and it is this hands-on relationship that is guiding the Group through the COVID-19 pandemic as the tenant-landlord relationships continue to remain constructive.

The Group has undertaken risk assessments in respect of the impact on key objectives and has appropriate response plans such as stress testing, monitoring of tenant performance and financial reviews.

On the basis of this review, and after making due enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Company continues to adopt the going concern basis in preparing the Annual Report and Financial Statements.

FUTURE DEVELOPMENTS

Further information regarding the future developments of the Company can be found within the Strategic Report on pages 1 to 33.

POST BALANCE SHEET EVENTS

On 6 April 2021, the Group acquired a 110,859 sq ft distribution unit in Warrington for £8.5 million at a 6.05% NIY.

On 6 April 2021, the Group acquired a seven-acre site in Edinburgh, comprising a 75,478 sq ft warehouse and a 1,845 sq ft "drive-through", for £13.2 million at a 6.2% NIY.

On 22 April 2021, the Group completed the sale of five assets as part of a portfolio for a total consideration of £30.0 million (excluding sales costs), representing an exit NIY of 4.8%.

On 2 June 2021, the Group acquired a 119,522 sq ft warehouse in Nottingham for £11.1 million at a 6.5% NIY.

INDEPENDENT AUDITOR

The Company conducted an external audit tender process during the year ended 31 March 2021. Further information regarding this can be found in the Audit Committee Report on page 41.

Nexia Smith & Williamson resigned as the Company's auditor on 15 February 2021 and were replaced by RSM UK Audit LLP with effect from the same date. A resolution to appoint RSM UK Audit LLP will be put to shareholders at the 2021 Annual General Meeting.

AUDIT INFORMATION

The Directors in office at the date of approval of the Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is not aware.

Each Director has taken all reasonable steps that he or she ought to have taken as a Director to make him or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This report was approved by the Board on 8 June 2021.

NIGEL RICH CBE
Chairman

8 June 2021

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company Financial Statements for each financial year. The Directors have elected under company law to prepare the Group Financial Statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and have elected under company law to prepare the Company Financial Statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law.

The Group and Company Financial Statements are required by law and international accounting standards in conformity with the requirements of the Companies Act 2006 to present fairly the financial position of the Group and the Company and the financial performance of the Group and the Company. The Companies Act 2006 provides in relation to such Financial Statements that references in the relevant part of that Act to Financial Statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing each of the Group and Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance international accounting standards in conformity with the requirements of the Companies Act 2006; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the Financial Statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Urban Logistic's website.

Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

On behalf of the Board.

NIGEL RICH CBE
Chairman

8 June 2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF URBAN LOGISTICS REIT PLC

OPINION

We have audited the Financial Statements of Urban Logistics REIT plc (the "parent company") and its subsidiaries (the "Group") for the year ended 31 March 2021 which comprise Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Cash Flows, Company Statement of Cash Flows, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity and notes to the Financial Statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards the parent company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

IN OUR OPINION:

- the Financial Statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2021 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company Financial Statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We are independent of the Group and parent company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate. Our evaluation of the Directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting included evaluating management's cash flow forecasts from March 2021, including review of sensitivity analysis and forecast compliance with covenants. We concluded that the Directors' assessment was appropriate in the circumstances.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

SUMMARY OF OUR AUDIT APPROACH

KEY AUDIT MATTERS	**GROUP** • Valuation of Investment Property **PARENT COMPANY** • No key audit matters
MATERIALITY	**GROUP** • Overall materiality: £7,600,000 • Performance materiality: £5,700,000 **PARENT COMPANY** • Overall materiality: £4,750,000 • Performance materiality: £3,560,000
SCOPE	Our audit procedures covered 83% of revenue, 93% of total assets and of 91% of profit before tax.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Group Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report in relation to the parent company.

VALUATION OF INVESTMENT PROPERTY	
KEY AUDIT MATTER DESCRIPTION	This is detailed in the Audit Committee report on pages 40 to 42; the significant accounting judgements and estimates on page 63; significant accounting policies on pages 63 to 65 and notes to the Financial Statements on pages 63 to 78. **RISK OF MATERIAL MISSTATEMENT** The Group owns a portfolio of investment properties located across the UK and the total value of the portfolio at 31 March 2021 was £516 million. The Directors' assessment of the value of the investment properties at year end date, is considered a key audit matter due to the magnitude of the total amount, the potential impact of the movement in value on the reported results, and the subjectivity and complexity of the valuation process. The valuation is carried out by external valuers, CBRE, in line with the methodology set out in note 23.
HOW THE MATTER WAS ADDRESSED IN THE AUDIT	We audited the independent valuations of investment properties to ensure that where appropriate they had been prepared on a consistent basis for all properties and correctly recorded in the Financial Statements and in line with the Accounting Standards. We assessed the external valuers qualifications and expertise and considered their terms of engagement, we also considered their objectivity and any other existing relationships with the Group and concluded that there was no evidence that the valuers objectivity had been compromised. We engaged a property valuation specialist as our auditor expert to assist in the review and challenge of the valuations. In addition, we selected a sample of twelve sites that had valuation or yield movements that were higher or lower than expected from our overall review of the portfolio and requested they complete a detailed assessment of each valuation. We discussed with the Manager and the valuer the overall movement in property values and also challenged them on any properties whose movement was not consistent with overall movements of the entire portfolio, to gain an understanding of why these exceptions were reasonable. We tested inputs provided by the Manager to the valuer to ensure these reflected the key observable inputs for each property and considered whether market data for a sample of properties was consistent with the valuation report.
KEY OBSERVATIONS	We concluded that the fair values of the investment properties being adopted by the Group were appropriate. Due to the impact of COVID-19 the prior year Financial Statements included a material uncertainty on the valuation of investment property. As a result there could be some uncertainty in relation to the fair value gain recognised in 2021.

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF URBAN LOGISTICS REIT PLC

OUR APPLICATION OF MATERIALITY

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the Financial Statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	GROUP	PARENT COMPANY
Overall materiality	£7,600,000 (2020: £10,100,000)	£4,750,000 (2020: £7,000,000)
Basis for determining overall materiality	1.2% of total assets	1.4% of total assets
Rationale for benchmark applied	Total assets used as a benchmark as assessed that the shareholders will be primarily interested in the growth in the value of property, represented by the property valuation.	Total assets used as a benchmark as assessed that the shareholders will be primarily interested in the growth in the value of the investments held by the parent company in its property holding subsidiaries.
Performance materiality	£5,700,000	£3,560,000
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Materiality levels for transactions where materiality levels are lower than overall materiality	The income statement was tested to the lower Performance Materiality figure of £839,000 to reflect that the Income Statement values are significantly lower than those in the Statement of Financial Position.	The income statement was tested to the lower Performance Materiality figure of £92,200 to reflect that the Income Statement values are significantly lower than those in the Statement of Financial Position.
Reporting of misstatements to the Audit Committee	Misstatements in excess of £380,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £5,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The Group consists of eleven components located in the UK and Jersey.

Full scope audit procedures were performed for all UK companies. The Jersey entity was subject to reduced scope review procedures. All work was performed by RSM UK Audit LLP.

	Number of components	Revenue	Total assets	Profit before tax
Full scope audit	10	83%	93%	91%
Specific Audit Procedures	1	17%	7%	9%
Total	**11**	**100%**	**100%**	**100%**

OTHER INFORMATION

The other information comprises the information included in the Annual Report, other than the Financial Statements and our Auditor's Report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the Financial Statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' Responsibilities Statement set out on page 49, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF URBAN LOGISTICS REIT PLC

THE EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Financial Statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the Financial Statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the Financial Statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the Group and parent company operates in and how the Group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud; and
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the Financial Statements may be susceptible to fraud.

The most significant laws and regulations were determined as follows:

LEGISLATION/ REGULATION	ADDITIONAL AUDIT PROCEDURES PERFORMED BY THE GROUP AUDIT ENGAGEMENT TEAM INCLUDED:
International Accounting Standards in conformity with the requirements of the Companies Act 2006	Review of the financial statement disclosures and testing to supporting documentation. Completion of disclosure checklists to identify areas of non-compliance.
REIT status compliance regulations	Input from a tax specialist was obtained regarding the Group's compliance with the REIT requirements. Consideration of whether any matter identified during the audit required reporting to an appropriate authority outside the entity.

The areas that we identified as being susceptible to material misstatement due to fraud were:

RISK	AUDIT PROCEDURES PERFORMED BY THE AUDIT ENGAGEMENT TEAM:
Management override of controls	Testing the appropriateness of journal entries and other adjustments. Assessing whether the judgements made in making accounting estimates are indicative of a potential bias. Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

EUAN BANKS

(Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants

25 Farringdon Street
London
EC4A 4AB

8 June 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Revenue	5	**24,181**	12,601
Property operating expenses	7	**(1,307)**	(437)
Net rental income		**22,874**	12,164
Administrative and other expenses		**(4,230)**	(2,142)
Other income		**159**	—
Long-term incentive plan charge	13	**(295)**	(3,557)
Operating profit before changes in fair value of investment properties and interest rate derivatives		**18,508**	6,465
Changes in fair value of investment property	6, 15	**25,760**	5,691
Profit on disposal of investment property		**7,035**	575
Operating profit		**51,303**	12,731
Finance income		**90**	7
Finance expense	10, 22	**(3,791)**	(3,378)
Profit before taxation		**47,602**	9,360
Tax credit/(charge) for the period	11	**—**	—
Profit and total comprehensive income (attributable to the shareholders)		**47,602**	9,360
Earnings per share – basic	12	**21.72p**	9.95p
Earnings per share – diluted	12	**21.72p**	9.95p
EPRA earnings per share – diluted	12	**6.62p**	3.99p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Non-current assets			
Investment property	15	**515,794**	209,179
Intangible assets		**12**	17
Total non-current assets		**515,806**	209,196
Current assets			
Trade and other receivables	18	**35,411**	1,816
Cash and cash equivalents	19	**60,459**	132,280
Total current assets		**95,870**	134,096
Total assets		**611,676**	343,292
Current liabilities			
Trade and other payables	20	**(7,484)**	(2,956)
Deferred rental income		**(5,568)**	(2,728)
Total current liabilities		**(13,052)**	(5,684)
Non-current liabilities			
Long-term rental deposits		**(4,125)**	(1,029)
Lease liability		**(6,748)**	(1,774)
Interest rate derivatives	22	**(1,060)**	(1,347)
Other borrowings		**(2,882)**	—
Bank borrowings	21	**(196,354)**	(74,696)
Total non-current liabilities		**(211,169)**	(78,846)
Total liabilities		**(224,221)**	(84,530)
Total net assets		**387,455**	258,762
Equity			
Share capital	26	**2,550**	1,886
Share premium	27	**89,644**	228,764
Capital reduction reserve	28	**228,760**	—
Other reserves		**351**	56
Retained earnings	30	**66,150**	28,056
Total equity		**387,455**	258,762
Net asset value per share – basic	32	**151.92p**	137.19p
Net asset value per share – diluted	32	**151.92p**	137.19p
EPRA net tangible assets – per share	32	**152.33p**	137.89p

The Financial Statements of Urban Logistics REIT plc (registered number 09907096) were approved by the Board of Directors and authorised for issue on 8 June 2021 and signed on its behalf by:

NIGEL RICH CBE
Chairman

COMPANY STATEMENT OF FINANCIAL POSITION

	Note	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Non-current assets			
Investment subsidiaries	17	**297,766**	93,800
Intangible assets		**12**	17
Total non-current assets		**297,778**	93,817
Current assets			
Trade and other receivables	18	**34,476**	141,408
Cash and cash equivalents	19	**1,791**	1,272
Total current assets		**36,267**	142,680
Total assets		**334,045**	236,497
Current liabilities			
Trade and other payables	20	**(1,316)**	(825)
Total current liabilities		**(1,316)**	(825)
Total liabilities		**(1,316)**	(825)
Total net assets		**332,729**	235,672
Equity			
Share capital	26	**2,550**	1,886
Share premium	27	**89,644**	228,764
Capital reduction reserve	28	**228,760**	—
Other reserves		**351**	56
Retained earnings	30	**11,424**	4,966
Total equity		**332,729**	235,672

The Company has not presented its own Statement of Comprehensive Income, as permitted by section 408 of the Companies Act 2006. The Company made a profit of £15.97 million (31 March 2020: £10.07 million).

The Financial Statements of Urban Logistics REIT plc (registered number 09907096) were approved by the Board of Directors and authorised for issue on 8 June 2021 and signed on its behalf by:

NIGEL RICH CBE
Chairman

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Cash flows from operating activities			
Profit for the period (attributable to equity shareholders)		**47,602**	9,360
Add: amortisation and depreciation		**49**	13
Less: changes in fair value of investment property	6, 15	**(26,250)**	(5,691)
Less: profit on disposal of investment property		**(7,035)**	(575)
Less: finance income		**(90)**	(7)
Add: finance expense	10, 22	**3,791**	3,378
Add: long-term incentive plan	13	**295**	2,454
Increase in trade and other receivables		**(34,831)**	(625)
Increase in trade and other payables		**8,436**	1,454
Cash generated from operations		**(8,033)**	9,761
Net cash flow generated from operating activities		**(8,033)**	9,761
Investing activities			
Purchase of investment properties	15	**(171,314)**	(26,763)
Capital expenditure on investment properties	15	**(30,525)**	(5,615)
Disposal of investment properties	15	**29,239**	18,085
Acquisition of subsidiary, net of cash acquired	16	**(92,722)**	—
Net cash flow used in investing activities		**(265,322)**	(14,293)
Financing activities			
Proceeds from issue of Ordinary Share capital	25	**92,337**	136,200
Proceeds from issue of Warrant Shares	25	**—**	59
Cost of share issue	26	**(2,032)**	(2,951)
Bank borrowings drawn	21	**199,364**	10,775
Bank borrowings repaid	21	**(75,701)**	(7,667)
Loan arrangement fees paid	21	**(2,670)**	(179)
Other borrowings drawn		**2,882**	—
Interest paid	10	**(3,228)**	(2,374)
Interest received		**90**	7
Dividends paid to equity holders	14	**(9,508)**	(6,818)
Net cash flow generated from financing activities		**201,534**	127,052
Net (decrease)/increase in cash and cash equivalents for the period		**(71,821)**	122,520
Cash and cash equivalents at start of period		**132,280**	9,760
Cash and cash equivalents at end of period		**60,459**	132,280

COMPANY STATEMENT OF CASH FLOWS

	Note	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Cash flows from operating activities			
Profit for the period (attributable to equity shareholders)		**15,966**	10,069
Add: depreciation		**5**	5
Less: finance income		**(85)**	—
Add: long-term incentive plan	13	**295**	2,454
Increase in trade and other receivables		**(8)**	(63)
Increase in trade and other payables		**491**	63
Cash generated from operations		**16,664**	12,528
Net cash flow generated from operating activities		**16,664**	12,528
Investing activities			
Decrease/(increase) in loan due from Group undertakings	18	**106,939**	(139,448)
Investment in subsidiary	17	**(203,966)**	—
Net cash flow used in investing activities		**(97,027)**	(139,448)
Financing activities			
Proceeds from issue of Ordinary Share capital	26	**92,337**	136,200
Proceeds from issue of Warrant Shares	26	**—**	59
Cost of share issue	27	**(2,032)**	(2,951)
Interest received		**85**	—
Dividends paid to equity holders	14	**(9,508)**	(6,818)
Net cash flow generated from financing activities		**80,882**	126,490
Net increase/(decrease) in cash and cash equivalents for the period		**519**	(430)
Cash and cash equivalents at start of period		**1,272**	1,702
Cash and cash equivalents at end of period		**1,791**	1,272

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2021	Share capital £'000	Share premium £'000	Share warrant reserves £'000	Capital reduction reserves £'000	Other reserves £'000	Retained earnings £'000	Total £'000
1 April 2020	1,886	228,764	—	—	56	28,056	258,762
Profit for the period	—	—	—	—	—	47,602	47,602
Total comprehensive income	**—**	**—**	**—**	**—**	**—**	**47,602**	**47,602**
Transactions with shareholders in their capacity as owners	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Dividends to shareholders	**—**	**—**	**—**	**—**	**—**	**(9,508)**	**(9,508)**
Long-term incentive plan	**—**	**—**	**—**	**—**	**295**	**—**	**295**
Issue of Ordinary Shares	**664**	**89,640**	**—**	**—**	**—**	**—**	**90,304**
Transfer to capital reduction reserve	**—**	**(228,760)**	**—**	**228,760**	**—**	**—**	**—**
31 March 2021	**2,550**	**89,644**	**—**	**228,760**	**351**	**66,150**	**387,455**
1 April 2019	877	93,877	14	—	194	25,514	120,476
Profit for the period	—	—	—	—	—	9,360	9,360
Total comprehensive income	—	—	—	—	—	9,360	9,360
Transactions with shareholders in their capacity as owners	—	—	—	—	—	—	—
Dividends to shareholders	—	—	—	—	—	(6,818)	(6,818)
Long-term incentive plan	—	—	—	—	2,436	—	2,436
Crystallisation of long-term incentive plan	18	2,556	—	—	(2,574)	—	—
Issue of Ordinary Shares	990	132,259	—	—	—	—	133,249
Redemption of Warrant Shares	1	60	(2)	—	—	—	59
Warrant Shares expired	—	12	(12)	—	—	—	—
31 March 2020	1,886	228,764	—	—	56	28,056	258,762

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2021	Share capital £'000	Share premium £'000	Share warrant reserves £'000	Capital reduction reserves £'000	Other reserves £'000	Retained earnings £'000	Total £'000
1 April 2020	1,886	228,764	—	—	56	4,966	235,672
Profit for the period	—	—	—	—	—	15,966	15,966
Total comprehensive income	**—**	**—**	**—**	**—**	**—**	**15,966**	**15,966**
Transactions with shareholders in their capacity as owners	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Dividends to shareholders	**—**	**—**	**—**	**—**	**—**	**(9,508)**	**(9,508)**
Long-term incentive plan	**—**	**—**	**—**	**—**	**295**	**—**	**295**
Issue of Ordinary Shares	**664**	**89,640**	**—**	**—**	**—**	**—**	**90,304**
Transfer to capital reduction reserve	**—**	**(228,760)**	**—**	**228,760**	**—**	**—**	**—**
31 March 2021	**2,550**	**89,644**	**—**	**228,760**	**351**	**11,424**	**332,729**
1 April 2019	877	93,877	14	—	194	1,715	96,677
Profit for the period	—	—	—	—	—	10,069	10,069
Total comprehensive income	—	—	—	—	—	10,069	10,069
Transactions with shareholders in their capacity as owners	—	—	—	—	—	—	—
Dividends to shareholders	—	—	—	—	—	(6,818)	(6,818)
Long-term incentive plan	—	—	—	—	2,436	—	2,436
Crystallisation of long-term incentive plan	18	2,556	—	—	(2,574)	—	—
Issue of Ordinary Shares	990	132,259	—	—	—	—	133,249
Redemption of Warrant Shares	1	60	(2)	—	—	—	59
Warrant Shares expired	—	12	(12)	—	—	—	—
31 March 2020	1,886	228,764	—	—	56	4,966	235,672

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Urban Logistics REIT plc, previously Pacific Industrial & Logistics REIT plc, (the "Company") and its subsidiaries (the "Group") carry on the business of property lettings throughout the United Kingdom. The Company is a public limited company incorporated and domiciled in England and Wales and listed on the AIM Market of the London Stock Exchange. The registered office address is 6th Floor 65 Gresham Street, London, United Kingdom, EC2V 7NQ.

2. BASIS OF PREPARATION

The Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The Group's financial information has been prepared on a historical cost basis, except for investment property and derivative interest rate caps which have been measured at fair value.

The functional currency of the Group is considered to be pounds sterling as this is the currency of the primary environment in which the Company operates.

The Company has not presented its own Statement of Comprehensive Income, as permitted by section 408 of the Companies Act 2006. The Company made a profit of £15.97 million (31 March 2020: £10.07 million).

GOING CONCERN

The Directors have reviewed the current and projected financial position of the Group, making reasonable assumptions about future trading performance. As part of the review, the Group has considered its cash balances, its debt maturity profile, including undrawn facilities, and the long-term nature of the tenant leases.

As part of their Going Concern review, the Directors have carefully considered the impact on the Group of the COVID-19 pandemic. Management, who have transitioned to remote working without any issues, endeavours to engage with tenants on a quarterly basis and it is this hands-on relationship that is guiding the Group through the COVID-19 pandemic as the tenant-landlord relationships continue to remain constructive. The Group has an active pipeline and will be acquiring further properties in due course; however, management will take a cautious approach and lower gearing levels until there is more clarity on COVID-19's effect on the UK economy.

The Group has undertaken risk assessments in respect of the impact on key objectives and has appropriate response plans such as stress testing, monitoring of tenant performance and financial reviews.

On the basis of this review, and after making due enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Financial Statements in conformity with the generally accepted accounting practices requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the statement of financial position date and the reported amounts of revenue and expenses during the reporting period.

KEY SOURCES OF ESTIMATION UNCERTAINTY

FAIR VALUE OF INVESTMENT PROPERTY

The market value of investment property is determined, by real estate valuation experts, to be the estimated amount for which a property should exchange on the date of the valuation in an arm's length transaction. Each property has been valued on an individual basis. The valuation experts use recognised valuation techniques and the principles of IFRS 13.

The valuations have been prepared in accordance with RICS Valuation – Global Standards January 2020 (the "Red Book"). Factors reflected include current market conditions, annual rentals, lease lengths and location. The significant methods and assumptions used by the valuers in estimating the fair value of investment property are set out in note 23.

KEY JUDGEMENTS

ACQUISITION OF SUBSIDIARIES – AS A GROUP OF ASSETS AND LIABILITIES

During the year, the Group acquired a further three property owning special purpose vehicles. The Directors considered whether these acquisitions meet the definition of the acquisition of a business or the acquisition of a group of assets and liabilities. It was concluded that acquisitions did not meet the criteria for the acquisition of a business as outlined by IFRS 3 as they did not have an integrated set of activities and assets that were capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors. Furthermore, a business consists of inputs and process applied to those inputs that have the ability to create outputs. The fair value of identifiable assets and liabilities is allocated on the basis of their relative fair values at the date of purchase.

4. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies, which are also applicable to the Financial Statements of the Company, have been consistently applied to all the years presented.

BASIS OF CONSOLIDATION

The Financial Statements consolidate the accounts of the Company and all subsidiary undertakings drawn up to the same year end.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4. PRINCIPAL ACCOUNTING POLICIES CONTINUED

BUSINESS COMBINATIONS

The Group has acquired companies that own real estate. At the time of acquisitions, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property.

Where such acquisitions are not judged to be the acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between identifiable assets and liabilities of the entity based upon their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.

INVESTMENT IN SUBSIDIARIES

Investments in subsidiaries are stated at cost less any provision for permanent diminution in value. Realised gains and losses are dealt with through the Statement of Comprehensive Income. A review for impairment is carried out if events or changes in circumstances indicate that the carrying amount may not be recoverable, in which case an impairment provision is recognised and charged to the Statement of Comprehensive Income.

BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit and loss over the borrowings period using the effective interest method.

BORROWING COSTS

Borrowing costs in relation to interest charges on bank borrowings are expensed in the period to which they relate. Fees incurred in relation to the arrangement of bank borrowings are capitalised and expensed on a straight-line basis over the term of the loan.

SEGMENTAL REPORTING

IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reported to the Board to allocate resources to the segments and to assess their performance. The Directors consider there to be only one reportable segment, being the investment in the United Kingdom into small logistics warehouses.

INVESTMENT PROPERTIES

Investment properties comprises completed property that is held to earn rentals or for capital appreciation, or both, and development properties that are under development or available for development.

Investment properties are initially recognised at cost including transactions costs. Transaction costs include transfer taxes and professional fees for legal services. Subsequent to initial recognition, investment properties are carried at fair value, as determined by real estate valuation experts. Gains or losses arising from change in fair value are recognised in the Statement of Comprehensive Income in the period in which they arise.

Investment properties cease to be recognised when they have been disposed of. The difference between the disposal proceeds and the carrying amount of the asset is recognised in the Statement of Comprehensive Income. A disposal is recognised on exchange if the sale contract is unconditional; if the sale contract on exchange is conditional, the disposal is recognised on legal completion.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

FINANCIAL ASSETS

Trade receivables are held in order to collect the contractual cash flows and are initially measured at the transaction price as defined in IFRS 15, as the contracts of the Group do not contain significant financing components. Impairment losses are recognised based on lifetime expected credit losses in profit or loss.

Other receivables are held in order to collect the contractual cash flows and accordingly are measured at initial recognition at fair value, which ordinarily equates to cost, and are subsequently measured at cost less impairment due to their short-term nature. A provision for impairment is established based on twelve-month expected credit losses unless there has been a significant increase in credit risk when lifetime expected credit losses are recognised. The amount of any provision is recognised in profit or loss.

FINANCIAL LIABILITIES

Financial liabilities, equity instruments and warrant instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Trade and other payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments, comprising interest rate caps and swaps for hedging purposes, are initially recognised at cost and are subsequently measured at fair value, being the estimated amount that the Group would receive or pay to terminate the agreement at the period end date, taking into account current interest rate expectations and the current credit rating of the Group and its counterparties.

The gain or loss at each fair value measurement date is recognised in the Statement of Comprehensive Income. Premiums payable under such arrangements are initially capitalised into the Statement of Financial Position, subsequently they are remeasured and held at their fair values.

Hedge accounting has not been applied in these Financial Statements.

REVENUE RECOGNITION

Rental income and service charge income from operating leases on properties owned by the Group is accounted for on a straight-line basis over the term on the lease. Rental income excludes service charges and other costs directly recoverable from tenants.

Lease incentives are amortised on a straight-line basis over the term of the lease.

LEASES

At inception, the Group assesses whether a contract is or contains a lease. This assessment involves the exercise of judgement about whether the Group obtains substantially all the economic benefits from the use of that asset, and whether the Group has the right to direct the use of the asset.

The Group recognises a right-of-use ("ROU") asset and a corresponding lease liability at the commencement date of the lease. The ROU asset is initially measured based on the present value of lease payments, plus initial direct costs and the cost of obligations to refurbish the asset, less any incentives received.

Lease payments generally include fixed payments and variable payments that depend on an index (such as an inflation index). When the lease contains an extension or purchase option that the Group considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

Each lease payment is allocated between the liability and finance cost. The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined or, if not, the incremental borrowing rate is used which is the weighted average cost of debt. The finance cost is charged to profit or loss over the lease period so as to produce a constant rate of interest on the remaining balance of the liability for each period.

As the head leases meet the definition of investment property, it is initially recognised in accordance with IFRS 16, and then subsequently accounted for as if it was investment property in accordance the Group's accounting policy. After initial recognition the ROU head lease asset is subsequently carried at fair value and the valuation gains and losses recognised within "Changes in fair value of investment property" in the Statement of Comprehensive Income.

ROU assets are included in the heading Non-current assets, and the lease liability included in the heading Non-current liabilities, on the Statement of Financial Position.

Where the ROU asset relates to land or property that meets the definition of investment property under IAS 40, the ROU assets are included in the heading Investment properties, and the lease liability in the heading Non-current liabilities, on the Statement of Financial Position.

LONG-TERM INCENTIVE PLAN

There is a long-term incentive plan ("LTIP") in place whereby Pacific Industrial LLP, an affiliate of Pacific Capital Partners Limited (the "Manager") has subscribed for C Ordinary Shares issued in Urban Logistics Holdings Limited, a subsidiary of Urban Logistics REIT plc (the "Company"). Under the terms of the LTIP, the Company is obliged to acquire the C Ordinary Shares in Urban Logistics Holdings Limited, in return for services provided by Pacific Industrial LLP, subject to certain conditions.

The fair value of the share price element of the LTIP award is calculated at the grant date using the Monte Carlo model. The resulting cost is charged to the Statement of Comprehensive Income over the vesting period.

At each year end, the Directors make an assessment of the fair value EPRA NTA element of the LTIP award based on company forecasts. The resulting cost is charged to the Statement of Comprehensive Income over the vesting period.

Further details have been provided in note 13.

TAXATION

Taxation on the profit or loss for the period not exempt under UK REIT regulations comprises current and deferred tax. Current tax is expected tax payable on any non-REIT taxable income for the period, using tax rates enacted or substantively enacted at the period end date, and any adjustment to tax payable in respect of previous years.

DIVIDENDS

Dividends on equity shares are recognised when they become legally payable. In the case of interim dividends, this is when paid. In the case of final dividends, this is when approved by the shareholders at the Annual General Meeting.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and short-term deposits with banks and other financial institutions, with an initial maturity of three months or less.

STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

At the date of authorisation of these Financial Statements there were standards and amendments which were in issue but which were not yet effective and which have not been applied. The principal ones were:

- amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform (effective 1 January 2021, endorsed 13 January 2021);
- amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (effective 1 January 2021, endorsed 15 December 2020);
- amendments to, IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Annual Improvements 2018-2020 (effective 1 January 2022); and
- amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current – Deferral of Effective Date (effective 1 January 2023).

The Directors do not expect the adoption of these standards and amendments to have a material impact on the Financial Statements.

In the current period, the following amendments have been adopted which were effective for the periods commencing on or after 1 January 2020:

- amendment to IFRS 16 Leases COVID-19 Related Rent Concessions (effective 1 June 2020).

The adoption of these amendments has not had a material impact of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

5. REVENUE

The Group is involved in UK property ownership and letting and is considered to operate in a single geographical and business segment. The total revenue of the Group for the year was derived from its principal activity, being that of property lettings. No single tenant accounted for more than 10% of the Group's gross rental income.

	31 March 2021 £'000	31 March 2020 £'000
Rental income	23,240	12,158
Service charge income	473	238
Licence fee	468	205
Total revenue	24,181	12,601

6. CHANGES IN FAIR VALUE OF INVESTMENT PROPERTY

	31 March 2021 £'000	31 March 2020 £'000
Revaluation surplus	26,250	6,319
Provision for profit share	(490)	—
Write-down of lease incentive	—	(628)
Total changes in fair value of investment property	25,760	5,691

7. PROPERTY OPERATING EXPENSES

	31 March 2021 £'000	31 March 2020 £'000
Vacant property costs	489	13
Letting and marketing fees	126	142
Premise expenses	114	36
Service charge expenses	569	227
Other	9	19
Total property operating expenses	1,307	437

8. OPERATING PROFIT

Operating profit is stated after charging:

	31 March 2021 £'000	31 March 2020 £'000
Directors' remuneration (note 9)	218	161
Long-term incentive plan (note 13)	295	3,557
Auditor's fees		
– Fees payable for the audit of the Company's annual accounts	25	24
– Fees payable for the ISRE 2410 review of the Company's interim accounts	—	13
– Fees payable for the audit of the Company's subsidiaries	75	55
– Fees payable for other services	—	10
Total auditor's fee	100	102

9. DIRECTORS' REMUNERATION

	31 March 2021 £'000	31 March 2020 £'000
Directors' fees	196	145
Employer's National Insurance	22	16
Total	218	161

A summary of the Directors' emoluments, including the disclosures required by the Companies Act 2006, is set out in the Directors' Report. Two Directors are also set to benefit from the long-term incentive plan ("LTIP"). For further information refer to related party transactions in note 31.

10. FINANCE EXPENSE

	31 March 2021 £'000	31 March 2020 £'000
Interest on bank borrowings	2,738	2,101
Swap interest paid	450	242
Amortisation of loan arrangement fees	665	347
Other interest payable	123	—
Interest on lease liability	102	31
Changes in fair value of interest rate derivatives	(287)	657
Total	3,791	3,378

11. TAXATION

As a REIT, the Group is exempt from corporation tax on the profits and gains from its property investment business, provided it continues to meet certain conditions as per REIT regulations. For the year ending 31 March 2021, the Group did not have any non-qualifying profits and accordingly there is no tax charge in the period. Any non-qualifying profits and gains however will continue to be subject to corporation tax.

12. EARNINGS PER SHARE

The calculation of the basic earnings per share ("EPS") was based on the profit attributable to Ordinary Shareholders divided by the weighted average number of Ordinary Shares outstanding during the period, in accordance with IAS 33.

	31 March 2021 £'000	31 March 2020 £'000
Profit attributable to Ordinary Shareholders		
Total comprehensive income (£'000)	47,602	9,360
Weighted average number of Ordinary Shares in issue	219,191,930	94,083,745
Basic earnings per share (pence)	21.72p	9.95p
Number of diluted shares under option/warrant	—	—
Weighted average number of Ordinary Shares for the purpose of dilutive earnings per share	219,191,930	94,083,745
Diluted earnings per share (pence)	21.72p	9.95p
Adjustments to remove:		
Changes in fair value of investment property (£'000)	(25,760)	(5,691)
Changes in fair value of interest rate derivatives (£'000)	(287)	657
Profit on disposal of investment properties	(7,035)	(575)
EPRA earnings (£'000)	14,520	3,751
EPRA earnings per share	6.62p	3.99p
Adjustments to add back:		
LTIP adjustment	295	3,452
Adjusted earnings (£'000)	14,815	7,203
Adjusted earnings per share	6.76p	7.66p

The number of Ordinary Shares is based on the time weighted average number of shares throughout the period.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

13. LONG-TERM INCENTIVE PLAN ("LTIP")

The Company has an LTIP, accounted for as an equity-settled share-based payment. At 31 March 2021, Pacific Industrial LLP, an affiliate of Pacific Capital Partners Limited, has subscribed for 1,000 C Ordinary Shares of £0.01 each issued in Urban Logistics Holdings Limited, a subsidiary of the Company.

Date options granted	Class of share	Fair value at grant £'000	Charge for the period £'000
August 2017			
– Share price element	C Ordinary	131	22
– EPRA NTA element	C Ordinary	869	273
		1,000	**295**

An independent valuation of the fair value of these shares was carried out at the grant date. The valuation was prepared in accordance with International Financial Reporting Standard 2 ("IFRS 2"): Share-based Payments. These shares were subsequently revalued at the modification date, in March 2020, with no material change.

The Monte Carlo valuation model has been used to estimate the fair value of the share price element of the award. The assumptions used are as follows:

Date of grant	16 August 2017
Share price at grant	£1.25
Hurdle (post-dividend adjustment)	£1.53
Expected volatility	15.0%
Measurement period	6.1 years
Dividend yield	4.86%
Risk free rate	0.63%

The Directors have made an assessment of the ERPA NTA element based on company forecasts. An assessment will be made at each year end, with any adjustment to expected value being charged as an expense in the Statement of Comprehensive Income.

From 7 February 2020 (the "Revised First Calculation Date") to 30 September 2023 (the "Second Calculation Date") the LTIP will be assessed as follows:

- the EPRA NAV element is 5% of the amount by which the Company's EPRA NAV at the Second Calculation Date exceeds the Company's EPRA NAV as at the Revised First Calculation Date and an annualised 10% hurdle thereon (adjusted for any new issue of shares, all distributions including inter alia dividends and any returns of capital); and
- the share price element is 5% of the amount by which the market capitalisation of the Company at the Second Calculation Date exceeds the market capitalisation of the Company as at the Revised First Calculation Date and an annualised 10% hurdle thereon (adjusted for any new issue of shares, all distributions including inter alia dividends and any returns of capital).

The LTIP payment is capped at three times the average annual management fees paid from 7 February 2020 to the Second Calculation Date.

If there is a change of control, the LTIP will be assessed by applying the relevant offer price to the EPRA NAV element and the share price element calculations at the date of the change of control.

The LTIP will be settled, at the Board's discretion, in either shares of Urban Logistics REIT plc, or cash, or a combination of both.

14. DIVIDENDS

	31 March 2021 £'000	31 March 2020 £'000
Ordinary dividends paid		
2019: second interim dividend: 4.02 pence per share	–	3,528
2020: first interim dividend: 3.75 pence per share	–	3,290
2020: second interim dividend: 3.85 pence per share	3,378	–
2021: first interim dividend: 3.25 pence per share	6,130	–
Total dividends paid in the year (£'000)	**9,508**	6,818
Total dividends paid in the year	**7.10p**	7.77p
Total dividends declared in respect of the financial year	**3.25p**	7.60p

On 25 September 2020, the Company declared an interim dividend for the first half of the financial year ended 31 March 2021 of 3.25 pence per Ordinary Share. The dividend was paid as a property income distribution on 23 October 2020 to shareholders on the register on 9 October 2020.

On 8 June 2021, the Company declared a second interim dividend of 4.35 pence per Ordinary Share in respect of the financial year ended 31 March 2021. The dividend will be paid as a property income distribution ("PID") on 2 July 2021 to shareholders on the register on 18 June 2021. The second interim dividend has not been recognised in the Financial Statements for the year ended 31 March 2021.

15. INVESTMENT PROPERTIES

In accordance with IAS 40: Investment Property, investment property is carried at its fair value as determined by an external valuer. This valuation has been conducted by CBRE and has been prepared as at 31 March 2021, in accordance with the RICS Valuation – Professional Standards UK January 2020 (the "Red Book").

The valuations have been prepared in accordance with those recommended by the International Valuation Standards Committee and are consistent with the principles in IFRS.

	Investment properties freehold £'000	Investment properties leasehold £'000	Development properties £'000	Total £'000
At 1 April 2020	151,559	46,020	9,400	206,979
Property acquisitions through corporate transactions	84,118	10,589	–	94,707
Property acquisitions	109,369	60,555	1,390	171,314
Capital expenditure	3,802	1,902	24,821	30,525
Property disposals	(18,198)	(4,006)	–	(22,204)
Revaluation surplus in year	18,263	7,448	539	26,250
Transfer of completed development properties	35,650	–	(35,650)	–
At 31 March 2021	384,563	122,508	500	507,571
Add: tenant lease incentives	991	287	–	1,278
Investment properties excluding head lease ROU assets at 31 March 2021	385,554	122,795	500	508,849
Add: right-of-use asset	–	6,945	–	6,945
Total investment properties at 31 March 2021	**385,554**	**129,740**	**500**	**515,794**

Total rental income for the year recognised in the Consolidated Statement of Comprehensive Income amounted to £23.2 million (31 March 2020: £12.16 million).

Tenant lease incentive at 31 March 2021 totalled £1.28 million (31 March 2020: £0.34 million).

Further information relating to property valuation techniques has been disclosed in note 23.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

16. ACQUISITION OF SUBSIDIARIES

On 29 April 2020, the Group obtained sole control of EOS Property Unit Trust, a property investment company incorporated in Jersey, through the acquisition of the entire units in the Trust.

On 9 November 2020, the Group obtained sole control of Urban Logistics Hoddesdon Limited, a property investment company incorporated in England and Wales, through the acquisition of the entire issued share capital.

On 17 February 2021, the Group obtained sole control of Urban Logistics K Holdings Limited, a holding company incorporated in England and Wales, through the acquisition of the entire issued share capital.

The Directors considered whether these acquisitions meet the definition of the acquisition of a business or the acquisition of a group of assets and liabilities. It was concluded that the acquisitions did not meet the criteria for the acquisition of a business as outlined in IFRS 3 as they did not have an integrated set of activities and assets that were capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors.

The table below sets out the initial fair values to the Group in respect of these acquisitions.

	Book value £'000	Redemption of liabilities £'000	Fair value adjustments £'000	Total £'000
Investment properties	89,774	—	4,933	94,707
Cash	726	—	—	726
Other receivables	187	(79)	213	321
Finance liabilities	(57,019)	56,993	—	(26)
Other liabilities	(1,905)	—	(1,100)	(3,005)
Total	**31,762**	**56,914**	**4,046**	**92,722**
Net cash outflow arising on acquisition				
Total consideration				93,448
Less: cash and cash equivalents acquired				(726)
Cash consideration net of cash acquired				**92,722**

17. INVESTMENTS

Investments are analysed as follows:

	Group £'000	Company £'000
At 1 April 2020	—	93,800
Additions	—	203,966
At 31 March 2021	**—**	**297,766**

The Company additions in the year related solely to capitalised intercompany debt.

Details of the Group's subsidiary undertakings as at 31 March 2021, all of which are included in the consolidated Financial Statements, are given below:

Company name	Country of incorporation	Principal activity	Effective Group interest
Urban Logistics Holdings Limited	England and Wales	Holding Company	99.99%
Urban Logistics Acquisitions 1 Limited	England and Wales	Holding Company	99.99%
Urban Logistics Acquisitions 2 Limited	England and Wales	Property Investment	99.99%
Urban Logistics Acquisitions 3 Limited	England and Wales	Property Investment	99.99%
Urban Logistics Acquisitions 4 Limited	England and Wales	Property Investment	99.99%
Urban Logistics Prop Co 1 (AC) Limited	England and Wales	Property Investment	99.99%
Urban Logistics Hoddesdon Limited	England and Wales	Property Investment	99.99%
Urban Logistics K Holdings Limited	England and Wales	Holding Company	99.99%
Urban Logistics K Properties Limited	England and Wales	Property Investment	99.99%
EOS Property Unit Trust	Jersey	Property Investment	99.99%
Sheds General Partner 2 Limited[1]	England and Wales	Dormant	99.99%
Sheds GP Nominee Co. 1 Limited[1]	England and Wales	Dormant	99.99%
Sheds GP Nominee Co. 2 Limited[1]	England and Wales	Dormant	99.99%

1. At 31 March 2021, these companies were in liquidation.

Registered office address for companies incorporated in England and Wales: 124 Sloane Street, London, SW1X 9BW.

Registered office address of the trustees of the EOS Property Unit Trust incorporated in Jersey: 47 Esplanade, St Helier, Jersey, JE1 0BD.

Pacific Industrial LLP, an affiliate of the Manager, owns 0.001% of the issued share capital in Urban Logistics Holdings Limited. These shares have no right to dividends; therefore, no amounts have been recognised within non-controlling interests.

18. TRADE AND OTHER RECEIVABLES

	Group 31 March 2021 £'000	**Company 31 March 2021 £'000**	Group 31 March 2020 £'000	Company 31 March 2020 £'000
Trade receivables	**1,211**	**2**	1,043	—
Other receivables	**33,372**	**—**	224	48
Amounts due from Group undertakings	**—**	**34,387**	—	141,328
Prepayments	**773**	**87**	343	32
Licence fee receivable	**55**	**—**	206	—
Total	**35,411**	**34,476**	1,816	141,408

Trade receivables are due within 30 days of the date at which the invoice is generated and are not interest bearing in nature. All trade receivables relate to amounts that are less than 30 days overdue as at the year end date. Due to their short maturities, the fair value of trade and other receivables approximates their fair value.

Amounts due from Group undertakings have been issued without terms and are interest free; therefore, the full amount has been recognised within trade and other receivables due within one year.

Trade receivables comprise rental income which is due on contractual quarter days. At 31 March 2021, £1,210,520 (31 March 2020: £1,042,634) was due from tenants. Trade receivables are written off when there is no reasonable expectation of recovery. During the year, the Group has written off £15,200 (31 March 2020: £nil), equivalent to 0.07% of all rent demanded over the year.

Other receivables includes £29.1 million due in relation to the sale of the Vital portfolio.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

19. CASH AND CASH EQUIVALENTS

	Group 31 March 2021 £'000	Company 31 March 2021 £'000	Group 31 March 2020 £'000	Company 31 March 2020 £'000
Cash and cash equivalents	60,459	1,791	132,280	1,272
Total	60,459	1,791	132,280	1,272

Group cash and cash equivalents available include £4.13 million (31 March 2020: £1.03 million) of restricted cash in the form of rental deposits held on behalf of tenants.

20. TRADE AND OTHER PAYABLES

	Group 31 March 2021 £'000	Company 31 March 2021 £'000	Group 31 March 2020 £'000	Company 31 March 2020 £'000
Falling due in less than one year				
Trade and other payables	3,077	1,130	2,053	705
Social security and other taxes	–	51	–	–
Accruals	2,813	76	779	79
Lease liability	218	–	91	–
Other creditors	1,376	59	33	41
Total	7,484	1,316	2,956	825

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. Due to their short maturities, the fair value of trade and other payables approximates their fair value.

21. BANK BORROWINGS AND RECONCILIATION OF LIABILITIES TO CASH FLOWS FROM FINANCING ACTIVITIES

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

	Bank borrowings £'000
Balance at 1 April 2020	74,696
Bank borrowings drawn in the year	199,364
Bank borrowings repaid in the year	(75,701)
Loan arrangement fees paid	(2,670)
Non-cash movements:	
Amortisation of loan arrangement fees	665
Total bank borrowings per the Consolidated Group Statement of Financial Position	**196,354**
Being:	
Drawn debt	199,364
Unamortised loan arrangement fees	(3,010)
Total bank borrowings per the Consolidated Group Statement of Financial Position	**196,354**

On 7 August 2020, the Group entered into a new £151.0 million loan facility with Barclays Bank plc, Santander UK plc and Lloyds Bank plc, to replace the existing loan facility totalling £75.7 million, which was due to expire in 2022. This facility provides a three-year term, with the option to extend for a further two years. Interest is charged at a fixed margin of 2.10% plus three-month GBP LIBOR.

On 7 August 2020, the Group drew £122.4 million from the new loan facility. A further £25.0 million was drawn on 15 February 2021. On 26 February 2021, the remaining £3.6 million of loan facility was drawn.

The £151.0 million facility is hedged by way of interest rate swaps, on a notional loan amount of £89.3 million. The weighted average capped rate at 31 March 2021 was 0.74% (31 March 2020: 1.25%).

On 12 March 2021, the Group entered into a new £48.4 million loan facility with Aviva Investors. This facility provides a seven-year term at a fixed cost of 2.34%. This is in addition to the £151.0 million loan facility with Barclays, Santander and Lloyds Bank plc.

The bank borrowings from both facilities are secured over the investment properties owned by the Group.

22. INTEREST RATE DERIVATIVES

The Group has used interest rate swaps to mitigate exposure to interest rate risk. The total fair value of these contracts is recorded in the Statement of Financial Position. The interest rate derivatives are marked to market by the relevant counterparty banks on a quarterly basis. Any movements in the fair value of the interest rate derivatives are taken to finance costs in the Statement of Comprehensive Income.

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Non-current liabilities: derivative interest rate swaps:		
At beginning of period	**(1,347)**	(690)
Change in fair value in the period	**287**	(657)
Total	**(1,060)**	(1,347)

23. FINANCIAL RISK MANAGEMENT

FINANCIAL INSTRUMENTS – GROUP

The Group's financial instruments comprise financial assets and liabilities that arise directly from its operations: cash and cash equivalents, trade and other receivables, trade and other payables, interest rate derivatives and bank borrowings. The main purpose of these financial instruments is to provide finance for the acquisition and development of the Group's investment property portfolio.

	Book value 31 March 2021 £'000	**Fair value 31 March 2021 £'000**	Book value 31 March 2020 £'000	Fair value 31 March 2020 £'000
Financial assets				
Trade and other receivables	**32,732**	**32,732**	1,104	1,104
Cash and short-term deposits	**60,459**	**60,459**	132,280	132,280
Financial liabilities				
Trade and other payables	**(11,609)**	**(11,609)**	(3,985)	(3,985)
Bank loans	**(199,364)**	**(199,364)**	(75,702)	(75,702)
Lease liabilities	**(6,748)**	**(6,748)**	(1,774)	(1,774)
Interest rate derivatives	**(1,060)**	**(1,060)**	(1,347)	(1,347)

CREDIT RISK

Credit risk is the risk of financial loss to the Group if a client or counterparty fails to meet it contractual obligations.

The Group's credit risk is primarily attributable to its trade receivables. The Group has implemented policies that require appropriate credit checks on potential tenants before lease agreements are signed. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the Board.

Outstanding trade receivables are regularly monitored. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

There is also credit risk attributable to the Group's cash and short-term deposits. The Board considers the credit risk of banks and only utilises appropriately rated institutions.

TRADE RECEIVABLES

Trade receivables mainly consist of amounts invoiced for tenant rentals, and are presented in the Statement of Financial Position net of loss allowances. Trade receivables are written off when there is no reasonable expectation of recovery. During the year, the Group has collected 99.93% of all rent demanded, and 0.7% was written off.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

23. FINANCIAL RISK MANAGEMENT CONTINUED

INTEREST RATE RISK

The Group has both interest-bearing assets and interest-bearing liabilities. Interest-bearing assets comprise only cash and cash equivalents which earn interest at a variable rate. The Group's debt strategy is to minimise the effect of a significant rise in underlying interest rates by utilising interest rate swaps.

The Group has not provided sensitivity analysis on interest rates in this note as the impact would not be material.

The Directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

Details of the terms of the Group's borrowings are disclosed in note 21.

MARKET RISK

Market risk is the risk that the fair values of financial instruments will fluctuate due to changes in market prices. The financial instruments held by the Group that are affected by market risk are principally the Group's cash balances along with an interest rate cap entered into to mitigate interest rate risk.

LIQUIDITY RISK

The Group actively maintains a medium-term debt finance that is designed to ensure it has sufficient available funds for operations and committed investments. The Group monitors its levels of working capital to ensure that it can meet its debt repayments as they fall due.

The following table details the Group's remaining contractual maturity for the Group's non-derivative financial liabilities with agreed maturity periods. The table has been drawn based on undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows:

	Six months or less £'000	Six to twelve months £'000	One to two years £'000	Two to five years £'000	More than five years £'000	Total £'000
31 March 2021						
Bank borrowings	**2,236**	**2,223**	**4,471**	**152,228**	**48,364**	**209,522**
Lease liabilities	**113**	**113**	**226**	**678**	**20,989**	**22,119**
Trade and other payables	**7,484**	**–**	**–**	**–**	**–**	**7,484**
Rent deposits	**–**	**–**	**–**	**1,087**	**3,038**	**4,125**
	9,833	**2,336**	**4,697**	**153,993**	**72,391**	**243,250**

	Six months or less £'000	Six to twelve months £'000	One to two years £'000	Two to five years £'000	More than five years £'000	Total £'000
31 March 2020						
Bank borrowings	1,076	1,134	2,281	77,362	–	81,853
Lease liabilities	31	31	63	188	7,497	7,810
Trade and other payables	2,956	–	–	–	–	2,956
Rent deposits	–	–	–	539	490	1,029
	4,063	1,165	2,344	78,089	7,987	93,648

Included within the contracted payments is £10.16 million (31 March 2020: £6.15 million) bank interest payable up to the point of maturity across both facilities.

FINANCIAL INSTRUMENTS – COMPANY

The Company's financial instruments comprise amounts due from Group undertakings, cash and cash equivalents, and trade and other payables.

	Book value 31 March 2021 £'000	**Fair value 31 March 2021 £'000**	Book value 31 March 2020 £'000	Fair value 31 March 2020 £'000
Financial assets				
Trade and other receivables	**34,388**	**34,388**	141,328	141,328
Cash and short-term deposits	**1,791**	**1,791**	1,272	1,272
Financial liabilities				
Trade and other payables	**(1,317)**	**(1,317)**	(825)	(825)

FAIR VALUE HIERARCHY

The Company uses the following hierarchy for determining the fair value of financial instruments:

Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: inputs for the asset or liability that are derived from formal valuation techniques that include inputs for the asset or liability that are not based on observable market data.

INVESTMENT PROPERTY – LEVEL 3

The Group's investment property assets are classified as level 3, as defined by IFRS 13, in the fair value hierarchy. Level 3 inputs for the asset or liability that are derived from formal valuation techniques include inputs for the asset or liability that are not based on observable market data.

The valuation has been prepared on the basis of fair value ("FV"), in accordance with IFRS 13, which is defined as:

"The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

Fair value, for the purpose of financial reporting under IFRS 13, is effectively the same as market value, which is defined as:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion."

The table below analyses:

- the fair value measurement at the end of the reporting period;
- a description of the valuation techniques applied;
- the inputs used in the fair value measurement, including the ranges of rent charged to different units within the same building; and
- for Level 3 fair value measurements, quantitative information about significant unobservable inputs used in the fair value measurement.

31 March 2021	**Fair value £'000**	**Valuation technique**	**Key unobservable inputs**	**Range**
Completed investment property	507,570	Income capitalisation	ERV	£64,125-£2,043,000 per annum
			Equivalent yield	4.0%-12.0%
Development property		Comparable method/ residual method	Various	
	507,570			

31 March 2020	Fair value £'000	Valuation technique	Key unobservable inputs	Range
Completed investment property	198,080	Income capitalisation	ERV	£64,125-£1,267,000 per annum
			Equivalent yield	4.0%-11.5%
Development property	8,900	Comparable method/ residual method	Various	
	206,980			

Significant increases/decreases in the ERV (per sq ft per annum) and rental growth per annum in isolation would result in a significantly higher/lower fair value measurement. Significant increases/decreases in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly higher/lower fair value measurement.

Generally, a change in the assumptions made for the ERV (per sq ft per annum) is accompanied by:

- a similar change in the rent growth per annum and discount rate (and exit yield); and
- an opposite change in the long-term vacancy rate.

A 5% increase in estimated rental value ("ERV") would increase the completed property portfolio valuation by £25.38 million and a 5% decrease would decrease the completed property portfolio valuation by £25.38 million. Similarly, a decrease in net initial yield ("NIY") by 0.25% would increase the completed property portfolio valuation by £21.20 million and an increase of 0.25% would decrease the completed property portfolio valuation by £19.56 million.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

24. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and continue to qualify for UK REIT status.

The Group defines capital as being share capital plus reserves. The Board of Directors monitors the level of capital as compared to the Group's debt facility and adjusts the ratio of debt to capital as is determined to be necessary, by issuing new shares, reducing or increasing debt, paying dividends and returning capital to shareholders.

The Directors intend that the Group will maintain a conservative level of aggregate borrowings with a medium-term target of 30-40% of the Group's gross assets.

25. CAPITAL COMMITMENTS

The Group has entered into contracts with unrelated parties for the construction and refurbishment of warehouses with a total value of £22.8 million (31 March 2020: £20.4 million). At 31 March 2021, £5.6 million of such commitments remained outstanding (31 March 2020: £11.4 million).

26. SHARE CAPITAL

	31 March 2021 Number	31 March 2021 £'000
Authorised, issued and fully paid up at 1 pence each	255,045,821	2,550
At beginning of period	188,616,023	1,886
Issued and fully paid 15 October 2020	66,429,798	664
At 31 March 2021	**255,045,821**	**2,550**

On 15 October 2020, the Company raised £92.3 million through the issue of 66,429,798 Ordinary Shares at an issue price of 139.0 pence per share.

27. SHARE PREMIUM

Share premium relates to amounts subscribed for share capital in excess of nominal value less any associated issue costs that have been capitalised.

	31 March 2021 £'000	31 March 2020 £'000
Balance brought forward	**228,764**	93,877
Share premium on the issue of Ordinary Shares	**91,672**	135,270
Share issue costs	**(2,032)**	(2,951)
Transfer to capital reduction reserve	**(228,760)**	—
Expiry of Warrant Shares	**—**	12
Crystallisation of LTIP	**—**	2,556
	89,644	228,764

28. CAPITAL REDUCTION RESERVE

	31 March 2021 £'000	31 March 2020 £'000
At beginning of the year	—	—
Transfer from share premium	228,760	—
	228,760	—

On 8 August 2020, the Company, by way of a Special Resolution, cancelled the then value of its share premium, by an Order of the High Court of Justice, Chancery Division. As a result, £228.8 million has been transferred from the share premium reserve. The capital reduction reserve is classified as a distributable reserve.

29. LEASES

THE GROUP AS LESSOR

Future aggregate minimum rentals receivable under non-cancellable operating leases are:

	< One year £'000	Two to five years £'000	> Five years £'000	Total £'000
31 March 2021	**26,506**	**85,741**	**83,805**	**196,052**
31 March 2020	10,954	26,583	20,639	58,176

THE GROUP AS LESSEE

The Group's minimum lease payments under non-cancellable leases are as follows:

	< One year £'000	Two to five years £'000	> Five years £'000	Total £'000
31 March 2021	**218**	**809**	**5,939**	**6,966**
31 March 2020	91	222	1,552	1,865

The total cash outflow in the year in respect of the lease liability was £115,504 (31 March 2020: £31,456). The incremental borrowing rate applied was 3.0% (31 March 2020: 3.2%).

RECONCILIATION OF LEASE OBLIGATIONS

	£'000
Brought forward	1,865
Cash movements	(116)
Non-cash movements	5,217
Carried forward	**6,966**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

30. RETAINED EARNINGS

Retained earnings relates to net gains and losses less distributions to owners not recognised elsewhere.

	Group 31 March 2021 £'000	Company 31 March 2021 £'000
Balance at the beginning of the period	28,056	4,966
Retained profit for the period	47,602	15,966
Second interim dividend: year ended 31 March 2020	(3,378)	(3,378)
First interim dividend: year ended 31 March 2021	(6,130)	(6,130)
At 31 March 2021	66,150	11,424

31. RELATED PARTY TRANSACTIONS

The terms and conditions of the Investment Management Agreement are described in the Management Engagement Committee Report. During the year, the amount paid for services provided by Pacific Capital Partners Limited (the "Manager") totalled £2.95 million (31 March 2020: £1.27 million). The total amount outstanding at the year end relating to the Investment Management Agreement was £1.07 million (31 March 2020: £0.46 million).

LONG-TERM INCENTIVE PLAN

Under the terms of the Company's long-term incentive plan, at 31 March 2021, Pacific Industrial LLP, an affiliate of Pacific Capital Partners Limited, had subscribed for shares in Urban Logistics Holdings Limited, a subsidiary of Urban Logistics REIT plc. Further details have been provided in note 13.

M1 AGENCY LLP

During the year, the Group incurred fees totalling £2,104,427 (31 March 2020: £303,570) from M1 Agency LLP, a partnership in which Richard Moffitt is a member. These fees were incurred in the acquisition of investment properties and sale of investment properties.

For the transactions listed above, Richard Moffitt's benefit derived from the profit allocation he receives from M1 Agency LLP as a member and not from the transaction.

The Board, with the assistance of the Manager, excluding Richard Moffitt, reviews and approves each fee payable to M1 Agency LLP, and ensures the fees are in line with market rates and on standard commercial property terms.

TRANSACTIONS WITH SUBSIDIARIES

Under IFRS, we are required to disclose all inter-company transactions that took place for all subsidiary undertakings of the Company. Transactions between the Company and its subsidiaries are in the normal course of business. Such transactions are eliminated on consolidation.

During the year, fees of £4,112,308 (31 March 2020: £2,090,219) were charged to Urban Logistics Acquisitions 1 Limited, a subsidiary undertaking incorporated in England and Wales, from Urban Logistics REIT plc. At 31 March 2021, £nil (31 March 2020: £nil) was due from Urban Logistics Acquisitions 1 Limited.

During the year, Urban Logistics REIT plc carried out transactions with Urban Logistics Holdings Limited, a subsidiary undertaking incorporated in England and Wales. The total amount of these transactions was a net loan decrease of £107,466,666 (31 March 2020: increase of £139,451,370). At 31 March 2021, Urban Logistics REIT plc was due £33,858,428 (31 March 2020: £141,328,228) from Urban Logistics Holdings Limited.

During the year, Urban Logistics REIT plc received a dividend of £16,000,000 from Urban Logistics Holdings Limited.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Key management personnel for the Group and Company comprise the Non-Executive Directors. Key management personnel interests and compensation is outlined in the Directors' Report on pages 45 to 48.

32. NET ASSET VALUE PER SHARE ("NAV")

Basic NAV per share is calculated by dividing net assets in the Consolidated Statement of Financial Position attributable to Ordinary Shareholders by the number of Ordinary Shares outstanding at the end of the period.

Net asset values have been calculated as follows:

	31 March 2021	31 March 2020
Net assets per Consolidated Statement of Financial Position (£'000)	**387,455**	258,762
Adjustment for:		
Fair value of interest rate derivatives (£'000)	**1,060**	1,347
Intangible assets (£'000)	**(12)**	(17)
EPRA net tangible assets (£'000)	**388,503**	260,092
Ordinary Shares:		
Number of Ordinary Shares in issue at period end	**255,045,821**	188,616,023
IFRS NAV per share (basic and diluted)	**151.92p**	137.19p
EPRA NTA per share	**152.33p**	137.89p

33. POST BALANCE SHEET EVENTS

On 6 April 2021, the Group acquired a 110,859 sq ft distribution unit in Warrington for £8.5 million at a 6.05% NIY.

On 6 April 2021, the Group acquired a seven-acre site in Edinburgh, comprising a 75,478 sq ft warehouse and a 1,845 sq ft "drive-through", for £13.2 million at a 6.2% NIY.

On 22 April 2021, the Group completed the sale of five assets as part of a portfolio for a total consideration of £30.0 million (excluding sales costs), representing an exit NIY of 4.8%.

On 2 June 2021, the Group acquired a 119,522 sq ft warehouse in Nottingham for £11.1 million at a 6.5% NIY.

SUPPLEMENTARY INFORMATION

I. EPRA PERFORMANCE MEASURES SUMMARY

	Notes	31 March 2021	31 March 2020
EPRA earnings per share	II	**6.62p**	3.99p
EPRA net tangible asset value	III	**152.33p**	137.89p
EPRA net reinstatement value	III	**165.66p**	145.26p
EPRA net disposal value	III	**151.92p**	137.19p
EPRA net initial yield	IV	**5.2%**	5.6%
EPRA "topped up" net initial yield	IV	**5.2%**	5.6%
EPRA vacancy rate	V	**6.9%**	2.4%
EPRA cost ratio (including vacant property costs)	VI	**21.3%**	46.9%
EPRA cost ratio (excluding vacant property costs)	VI	**18.9%**	46.8%

II. INCOME STATEMENT

	31 March 2021 £'000	31 March 2020 £'000
Gross revenue	**24,181**	12,601
Property operating costs	**(1,307)**	(437)
Net rental income	**22,874**	12,164
Administrative expense	**(4,230)**	(2,142)
Other income	**159**	—
Long-term incentive plan charge	**(295)**	(3,557)
Operating profit before interest and tax	**18,508**	6,465
Net finance costs	**(3,988)**	(2,714)
Profit before tax	**14,520**	3,751
Tax on EPRA earnings	**—**	—
EPRA earnings	**14,520**	3,751
Weighted average number of Ordinary Shares	**219,191,930**	94,083,745
EPRA earnings per share	**6.62p**	3.99p

III. BALANCE SHEET

	31 March 2021 £'000	31 March 2020 £'000
Investment properties	**515,794**	209,179
Other net assets	**68,015**	124,279
Net borrowings	**(196,354)**	(74,696)
Total shareholders' equity	**387,455**	258,762
Adjustments to calculate EPRA NTA:		
Fair value of interest rate derivative	**1,060**	1,347
Intangible assets	**(12)**	(17)
EPRA net tangible assets	**388,503**	260,092
Ordinary Shares in issue at year end	**255,045,821**	188,616,023
Dilutive shares in issue at year end	**—**	—
	255,045,821	188,616,023
EPRA NTA per share	**152.33p**	137.89p

In October 2019, the European Public Real Estate Association ("EPRA") published new best practice recommendations ("BPR") for financial disclosures by public real estate companies. The BPR introduced three new measures for reporting net asset value: EPRA net reinstatement value ("NRV"), EPRA net tangible assets ("NTA") and EPRA net disposal value ("NDV"). These new measures are effective for accounting periods starting on 1 January 2020 and have been adopted by the Group in reporting the financial position as at 31 March 2021.

The Group considers EPRA NTA to be the most relevant measure for its operating activities; therefore, it will be adopted as the Group's primary measure of net asset value, replacing previously reported EPRA NAV. A reconciliation of the three new net asset value measurements is provided in the table below.

	Current measures				
31 March 2021	**EPRA NTA £'000**	**EPRA NRV £'000**	**EPRA NDV £'000**	**EPRA NAV £'000**	**EPRA NNNAV £'000**
IFRS equity attributable to shareholders	**387,455**	**387,455**	**387,455**	**387,455**	**387,455**
Fair value of interest rate derivatives	**1,060**	**1,060**	**–**	**1,060**	**–**
Intangible assets	**(12)**	**–**	**–**	**–**	**–**
Real estate transfer tax	**–**	**34,007**	**–**	**–**	**–**
EPRA net asset value	**388,503**	**422,522**	**387,455**	**388,515**	**387,455**
Diluted shares (number)	**255,045,821**	**255,045,821**	**255,045,821**	**255,045,821**	**255,045,821**
EPRA net asset value per share	**152.33p**	**165.66p**	**151.92p**	**152.33p**	**151.92p**

	Current measures				
31 March 2020	EPRA NTA £'000	EPRA NRV £'000	EPRA NDV £'000	EPRA NAV £'000	EPRA NNNAV £'000
IFRS equity attributable to shareholders	258,762	258,762	258,762	258,762	258,762
Fair value of interest rate derivatives	1,347	1,347	–	1,347	–
Intangible assets	(17)	–	–	–	–
Real estate transfer tax	–	13,868	–	–	–
EPRA net asset value	260,092	273,977	258,762	260,109	258,762
Diluted shares (number)	188,616,023	188,616,023	188,616,023	188,616,023	188,616,023
EPRA net asset value per share	137.89p	145.26p	137.19p	137.90p	137.19p

IV. EPRA NET INITIAL YIELD AND "TOPPED UP" NET INITIAL YIELD

	31 March 2021 £'000	31 March 2020 £'000
Total properties per Financial Statements	**515,794**	209,179
Less head lease right-of-use asset	**(6,945)**	(1,858)
Less development properties	**(500)**	(9,400)
Completed property portfolio	**508,349**	197,921
Add notional purchasers' costs	**34,059**	13,342
Gross up completed property portfolio valuation (A)	**542,408**	211,263
Annualised passing rent[1]	**28,562**	11,989
Less irrecoverable property outgoings	**(467)**	(63)
Annualised net rents (B)	**28,095**	11,926
Contractual rental increases for rent-free period	**231**	–
"Topped up" annualised net rent (C)	**28,326**	11,926
EPRA net initial yield (B/A)	**5.2%**	5.6%
EPRA "topped up" net initial yield (C/A)	**5.2%**	5.6%

1. Annualised passing rent excludes short-term lettings and licences.

SUPPLEMENTARY INFORMATION CONTINUED

V. EPRA VACANCY RATE

	31 March 2021 £'000	31 March 2020 £'000
Estimated rental value of vacant space	2,316	317
Estimated rental value of the whole portfolio	33,498	13,286
EPRA vacancy rate	6.9%	2.4%

VI. TOTAL COST RATIO/EPRA COST RATIO

Total cost ratio	31 March 2021 £'000	31 March 2020 £'000
Costs		
Property operating expenses	1,307	437
Administrative expenses	4,230	2,142
Less: service charge income	(118)	(116)
Less: service charge costs recovered through rents but not separately invoiced	(355)	(122)
Less: ground rents	(44)	(8)
Total costs including vacant property costs (A)	5,020	2,333
Group vacant property costs	(563)	(8)
Total costs excluding vacant property costs (B)	4,457	2,325
Gross rental income		
Gross rental income	24,181	12,601
Less: ground rents paid	(102)	(31)
Less: service charge income	(118)	(116)
Less: service charge costs recovered through rents but not separately invoiced	(355)	(122)
Total gross rental income (C)	23,606	12,332
Total cost including vacant property costs (A/C)	21.3%	18.9%
Total cost excluding vacant property costs (B/C)	18.9%	18.9%
EPRA cost ratio		
Total costs (A)	5,020	2,333
Long-term incentive plan crystallisation	–	3,452
EPRA total costs including vacant property costs (D)	5,020	5,785
Vacant property costs	(563)	(8)
EPRA total costs excluding vacant property costs (E)	4,457	5,777
EPRA cost ratio (including vacant property costs (D/C)	21.3%	46.9%
EPRA cost ratio (excluding vacant property costs (E/C)	18.9%	46.8%

VII. EPRA CAPITAL EXPENDITURE ANALYSIS

	31 March 2021 £'000	31 March 2020 £'000
Acquisitions	264,631	22,781
Development	26,211	8,955
Capital expenditure:		
– no incremental lettable space	5,704	642
Total	296,546	32,378

VIII. EPRA LIKE-FOR-LIKE NET RENTAL INCOME

	31 March 2021 £'000	31 March 2020 £'000	Change
Like-for-like net rental income	7,753	7,157	8.3%
Properties acquired	14,013	4,719	
Properties sold	–	83	
Licence fee	1,108	205	
Net rental income	22,874	12,164	

IX. TOTAL ACCOUNTING RETURN

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Opening EPRA NTA	137.89p	137.96p
Closing EPRA NTA	152.33p	137.89p
Change in EPRA NTA	14.44p	(0.07)p
Dividends paid	7.10p	7.77p
Total growth in EPRA NTA plus dividends	21.54p	7.70p
Total return	15.6%	5.6%
One-off exceptional costs	–	4.19p
Total return excluding one-off exceptional costs	15.6%	8.6%

GLOSSARY OF TERMS

ENERGY PERFORMANCE CERTIFICATE ("EPC")
A measure of the energy efficiency of a property on a scale of A (most efficient) to G (least efficient) and is a legal requirement for a building to be sold, let or constructed. Once obtained, an EPC is valid for ten years.

EPRA COST RATIO
Administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income.

EPRA EARNINGS PER SHARE ("EPS")
Earnings from continuing operational activities divided by weighted average number of shares in issue during the year.

EPRA NET DISPOSAL VALUE ("NDV")
Represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of the liability, net of any resulting tax.

EPRA NET INITIAL YIELD
Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.

EPRA NET REINSTATEMENT VALUE ("NRV")
Assumes that entities never sell assets and aims to represent the value required to rebuild the entity.

EPRA NET TANGIBLE ASSETS ("NTA")
Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.

EPRA TOPPED-UP NET INITIAL YIELD
EPRA net initial yield adjusted for expiration of rent-free periods or other unexpired lease incentives such as discounted rent periods and step rents.

EPRA VACANCY RATE
Estimated market rental value ("ERV") of vacant space divided by ERV of the whole portfolio.

ESTIMATED RENTAL VALUE ("ERV")
The estimated annual market rental value of lettable space as assessed by the external valuer.

EUROPEAN PUBLIC REAL ESTATE ASSOCIATION ("EPRA")
The European Public Real Estate Association ("EPRA") is the industry body for European Real Estate Investment Trusts ("REITs")

LOAN TO VALUE ("LTV")
The Group's net debt expressed as a percentage of the investment property portfolio.

NET INITIAL YIELD
Annual rents on investment properties as a percentage of the investment property portfolio valuation having added notional purchasers' costs.

NTA
Net tangible assets

OCCUPANCY RATE
The ERV of the let units as a percentage of the total ERV of the investment property portfolio.

PROPERTY INCOME DISTRIBUTION ("PID")
Dividends from the Group's tax-exempt property business.

REIT
UK Real Estate Investment Trust.

TOTAL ACCOUNTING RETURN ("TAR")
Represents the movement in EPRA NTA per share plus dividends paid during the period expressed as a percentage of EPRA NTA per share at the beginning of the period.

TOTAL PROPERTY RETURN ("TPR")
Capital growth in the portfolio, plus net rental income and profit or loss on the sale of investment properties expressed as a percentage return on the capital employed during the year, however, this excludes acquisitions.

WEIGHTED AVERAGE UNEXPIRED LEASE TERM ("WAULT")
The average lease term remaining to expiry across the portfolio weighted by contracted rental income.

COMPANY INFORMATION

DIRECTORS

Nigel Rich CBE FCA	Chairman
Jonathan Gray	Director
Heather Hancock	Director
Richard Moffitt	Director
Bruce Anderson ACMA FCIOBS	Director
Mark Johnson	Director

COMPANY SECRETARY

LINK COMPANY MATTERS LIMITED
Central Square
10th Floor
29 Wellington Street
Leeds
LS1 4DL

REGISTERED OFFICE

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EC2V 7NQ

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EC2N 2AX

JOINT BROKER

PANMURE GORDON
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EC4M 9AS

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BARCLAYS BANK PLC
1 Churchill Place
London
E14 5HP

LLOYDS BANK PLC
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London
EC2V 7HN

AVIVA PLC
St Helen's
1 Undershaft
London
EC3P 3DQ

DEPOSITARY

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W1K 6DJ

AUDITOR AND REPORTING ACCOUNTANT

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EC4A 4AB

COMMERCIAL PROPERTY VALUER

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REGISTRARS

COMPUTERSHARE INVESTOR SERVICES PLC
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EC2M 1JJ

FINANCIAL ADVISER

KINMONT LIMITED
5 Clifford Street
London
W1S 2LG

WEBSITE

www.urbanlogisticsreit.com

FINANCIAL INFORMATION

12 July 2021	Annual General Meeting
30 September 2021	Half Year End
November 2021	Announcement of Half-Year Results
31 March 2022	Year End

NOTICE OF ANNUAL GENERAL MEETING

URBAN LOGISTICS REIT PLC

(INCORPORATED AND REGISTERED IN ENGLAND AND WALES WITH REGISTERED NUMBER 9907096)

Notice is hereby given that the Annual General Meeting ("**AGM**") of Urban Logistics REIT plc (the "**Company**") will be held at 124 Sloane Street, London, SW1X 9BW at 10.00 am on 12 July 2021 for the purpose of considering and, if thought fit, passing the following resolutions (which will be proposed, in the case of resolutions 1 to 11, as ordinary resolutions and, in the case of resolutions 12 to 15, as special resolutions):

ORDINARY BUSINESS

ORDINARY RESOLUTIONS

1. To receive the Annual Report and Accounts of the Company for the financial year ended 31 March 2021 together with the Directors' Report and Auditor's Report thereon.
2. That Nigel Rich be re-elected as a Director of the Company with effect from the end of the meeting.
3. That Jonathan Gray be re-elected as a Director of the Company with effect from the end of the meeting.
4. That Bruce Anderson be re-elected as a Director of the Company with effect from the end of the meeting.
5. That Richard Moffitt be re-elected as a Director of the Company with effect from the end of the meeting.
6. That Mark Johnson be re-elected as a Director of the Company with effect from the end of the meeting.
7. That Heather Hancock be re-elected as a Director of the Company with effect from the end of the meeting.
8. To re-appoint RSM UK Audit LLP as auditor of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company at which the Company's accounts are laid.
9. To authorise the Audit Committee of the Company to determine the amount of the auditor's remuneration.
10. To approve the Company's dividend policy, authorising the Directors of the Company to declare and pay all dividends of the Company as interim dividends and for the second dividend referable to a financial year not to be categorised as a final dividend that is subject to shareholder approval.

SPECIAL BUSINESS

ORDINARY RESOLUTION

11. That the Directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "**Act**") to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company up to an aggregate maximum nominal amount of £510,091.64 (equating to 51,009,164 Ordinary Shares of £0.01 each ("**Ordinary Shares**") and representing approximately 20.00% of the Ordinary Share capital of the Company as at 8 June 2021) provided that this authority shall expire (unless renewed, varied or revoked by the Company in general meeting) on the earlier of the conclusion of the next Annual General Meeting of the Company and 30 September 2022 save that the Company shall be entitled to make, prior to the expiry of such authority, any offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert any security into shares to be granted after the expiry of such authority and the Directors may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of such offer or agreement as if the authority conferred hereby had not expired. The authority granted by this resolution shall replace all existing authorities to allot any shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company previously granted to the Directors pursuant to section 551 of the Act.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

URBAN LOGISTICS REIT PLC

SPECIAL BUSINESS CONTINUED

SPECIAL RESOLUTIONS

12. That, subject to the passing of resolution no. 11, the Directors be and are hereby empowered pursuant to sections 570 and 573 of the Act to allot equity securities (as defined in section 560 of the Act) for cash either pursuant to the authority conferred by resolution no. 11 above or by way of sale of treasury shares as if section 561(1) of the Act did not apply to such allotment, provided that this power shall be limited to the allotment and/or transfer of equity securities up to an aggregate nominal amount of £255,045.82 (equating to 25,504,582 Ordinary Shares and representing approximately 10.00% of the Ordinary Share capital of the Company as at 8 June 2021) provided that this authority shall expire (unless renewed, varied or revoked by the Company in general meeting) on the earlier of the conclusion of the next Annual General Meeting of the Company and 30 September 2022 save that the Company shall be entitled to make, prior to the expiry of such authority, offers or arrangements which would or might require equity securities to be allotted and/or transferred after such expiry, and the Directors may allot and/or transfer equity securities in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired. The authority granted by this resolution shall replace all existing authorities previously granted to the Directors to allot equity securities for cash or by way of a sale of treasury shares as if section 561(1) of the Act did not apply.
13. That, subject to the passing of resolution no. 11 and in addition to the authority granted in resolution no. 12, the Directors be and are hereby empowered pursuant to sections 570 and 573 of the Act to allot equity securities (as defined in section 560 of the Act) for cash either pursuant to the authority conferred by resolution no. 11 above or by way of sale of treasury shares as if section 561(1) of the Act did not apply to such allotment, provided that this power shall be limited to the allotment and/or transfer of equity securities up to an aggregate nominal amount of £255,045.82 (equating to 25,504,582 Ordinary Shares and representing approximately 10.00% of the Ordinary Share capital of the Company as at 8 June 2021) provided that this authority shall expire (unless renewed, varied or revoked by the Company in general meeting) on the earlier of the conclusion of the next Annual General Meeting of the Company and 30 September 2022 save that the Company shall be entitled to make, prior to the expiry of such authority, offers or arrangements which would or might require equity securities to be allotted and/or transferred after such expiry, and the Directors may allot and/or transfer equity securities in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired. The authority granted by this resolution shall replace all existing authorities previously granted to the Directors to allot equity securities for cash or by way of a sale of treasury shares as if section 561(1) of the Act did not apply.
14. That the Company be authorised generally and unconditionally, in accordance with section 701 of the Act, to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares provided that:
    (a) the maximum number of Ordinary Shares that may be purchased is 38,231,368, representing approximately 14.99% of the issued Ordinary Share capital as at 8 June 2021;
    (b) the minimum price which may be paid for an Ordinary Share is 1 pence; and
    (c) the maximum price which may be paid for an Ordinary Share is the higher of: (i) 5% above the average of the mid-market quotation of an Ordinary Share for the five business days before the purchase is made; and (ii) the higher of the last independent trade and the highest current independent bid for any number of Ordinary Shares on the trading venue where the purchase is carried out.

    The authority conferred by this resolution will expire on the earlier of the conclusion of the next Annual General Meeting of the Company and 30 September 2022 save that the Company may, before the expiry of the authority granted by this resolution, enter into a contract to purchase Ordinary Shares which will or may be executed wholly or partly after the expiry of such authority.
15. That, with effect from the conclusion of the Annual General Meeting, the draft articles of association produced to the meeting and signed by the Chairman for the purpose of identification be approved and adopted as the new articles of association of the Company in substitution for, and to the exclusion of, the Company's existing articles of association.

By order of the Board

LINK COMPANY MATTERS LIMITED
Company Secretary of Urban Logistics REIT plc

8 June 2021

Registered Office:
6th Floor,
65 Gresham Street,
London,
EC2V 7NQ

COVID-19

In accordance with the ongoing government instructions and guidance regarding COVID-19 and the restrictions on social contact, public gathering and non-essential travel, regrettably, shareholders will not be able to attend the AGM in person. We will make arrangements to ensure that the legal requirements to hold the meeting can be satisfied and the format of the meeting will be purely functional. The meeting will comprise only the formal votes without any business update. Shareholders are therefore strongly encouraged to vote on all of the resolutions online or by appointing the Chair of the AGM as a proxy in advance of the meeting (appointing the Chair of the AGM as your proxy, rather than another named person, ensures your vote will be counted in the meeting).

Shareholders will be given the opportunity to raise questions before the meeting by sending them to ir@urbanlogisticsreit.com and they will be responded to in writing on the Company's website.

The COVID-19 situation is constantly evolving and the UK Government may change current restrictions relating to the holding of general meetings during the affected period. Unless there is any material change in circumstances which causes the Company to notify changed arrangements (which it will do so via a regulatory information service), any shareholder (other than those required to form a quorum) who attempts to physically attend the AGM in person will be refused admission. The Company's attendance at the AGM in person will be limited to satisfy the requirements for a quorum.

We strongly urge you to follow government instructions in respect of the evolving situation regarding COVID-19 and the restrictions on social contact, public gatherings and non-essential travel.

The Board values the opportunity to meet shareholders and respond to any questions you may have. In common with many companies of our size, the Company does not have power under its articles of association to hold 'hybrid' or virtual general meetings, and consequently a resolution is proposed to adopt new articles of association to accommodate hybrid and, in exceptional circumstances, virtual meetings going forward.

NOTES:

PROXIES

1. A member is entitled to appoint a proxy to exercise all or any of the member's rights to attend, speak and vote at the AGM. A proxy need not be a member of the Company. **Due to restrictions on attendance at the AGM, when completing your form of proxy, please only reference the 'Chair of the AGM' as your proxy (and do not specifically name any one individual).**
2. A form of proxy is enclosed with this notice. Forms of proxy may also be obtained on request from the Company's registered office. In order to be valid any proxy form or other instrument appointing a proxy must be returned duly completed by one of the following methods no later than 48 hours before the time of the Annual General Meeting (excluding nonworking days), in hard copy form by post, by courier, or by hand to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY. Submission of a proxy appointment will not preclude a member from attending and voting at the AGM should they wish to do so. **However, as per the above note, any shareholder that attempts to physically attend the AGM will be refused admission in order to comply with government instructions and guidance.**
3. While a shareholder may ordinarily appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder, **due to restrictions on attendance at the AGM, when completing your form of proxy, please only reference the 'Chair of the AGM' as your proxy (and do not specifically name any one individual).**
4. To direct your Chair as proxy on how to vote on the resolutions, mark the appropriate box on your form of proxy with an 'X'. To abstain from voting on a resolution, select the relevant "Vote withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy (the Chair), as your proxy will vote or abstain from voting at his or her discretion. Your proxy (the Chair) will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the AGM.
5. Any power of attorney or any other authority under which your proxy form is signed (or a duly certified copy of such power or authority) must be returned to the registered office with your proxy form..

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

URBAN LOGISTICS REIT PLC

NOTES: CONTINUED

THRESHOLDS AND ENTITLEMENT TO VOTE

6. To be passed, ordinary resolutions require a majority in favour of the votes cast and special resolutions require a majority of not less than 75% of members who vote in person or by proxy at the meeting. On a show of hands every shareholder who is present in person (or being a company is present by a representative not himself, a shareholder) and who is allowed to vote at a general meeting shall have one vote. Upon a poll every member holding Ordinary Shares who is present in person or by proxy (or being a company is represented) shall have one vote for every Ordinary Share of which he is the registered holder.
7. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), specifies that only those members registered in the Register of Members of the Company at the close of business on 15 July 2021 (or if the AGM is adjourned, members entered on the Register of Members of the Company no later than 48 hours before the time fixed for the adjourned AGM) shall be entitled to attend, speak and vote at the AGM in respect of the number of Ordinary Shares registered in his or her name at that time. Changes to entries on the Register of Members of the Company after the close of business on 8 July 2021 shall be disregarded in determining the rights of any person to attend, speak or vote at the AGM.
8. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).
9. A corporation which is a member can ordinarily appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share. **However, due to restrictions on attendance at the AGM, when completing your proxy form, please only reference the 'Chair of the AGM' as your proxy (and do not specifically name any one individual).**
10. As at 8 June 2021, being the latest practicable date before the publication of this notice of AGM, the Company's issued share capital consisted of 255,045,821 Ordinary Shares each carrying one vote. Therefore, the total voting rights in the Company as at 8 June 2021 is 255,045,821.
11. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM and any adjournment(s) thereof by using the procedures described in the CREST Manual (available via www.euroclear.com). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
12. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent ID (3RA50) by the latest time(s) for receipt of proxy appointments specified in this notice of AGM. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
13. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
14. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

MISCELLANEOUS

15. Copies of the Directors' letters of appointment would usually be available for inspection at the registered office of the Company during normal business hours from the date of this Notice until the conclusion of the Annual General Meeting and would be available for inspection at the place where the meeting is being held from 15 minutes prior to and during the meeting. **However, due to potential ongoing restrictions on non-essential travel, please email the Company Secretary at urbanlogisticscosec@linkgroup.co.uk should you wish to inspect the same.**
16. Members who have general queries about the Annual General Meeting should email the Company Secretary at urbanlogisticscosec@linkgroup.co.uk.

17. Please note that the Company takes all reasonable precautions to ensure no viruses are present in any electronic communication it sends out but the Company cannot accept responsibility for loss or damage arising from the opening or use of any email or attachments from the Company and recommend that the shareholders subject all messages to virus checking procedures prior to use. Any electronic communication received by the Company that is found to contain any virus will not be accepted.

EXPLANATION OF CERTAIN RESOLUTIONS

18. **Resolution 1 – Receipt of the Annual Report and Accounts** – the Directors are required to present the Annual Report and Accounts of the Company to the meeting.
19. **Resolutions 2 to 7 – Re-appointment of Directors** – the Board, led by the Chairman, has considered each of the Directors and has concluded that each of them makes positive and effective contributions to the meetings of the Board and the committees on which they sit, and that they demonstrate commitment to their roles. The Board is satisfied that each independent non-executive director offering themselves for re-appointment is independent in character and there are no relationships or circumstances likely to affect their character or judgement. Biographies of each of the directors are provided on pages 34 and 35 of the Annual Report and Accounts and are also available from the Company's website: **www.urbanlogisticsreit.com**. The Board unanimously recommends the re-appointment of each of the directors
20. **Resolutions 8 and 9 – Auditor appointment and remuneration** – the auditor of a company must be reappointed at each general meeting at which accounts are laid. Resolution 8 proposes the appointment of RSM UK Audit LLP until the next general meeting at which accounts are presented. Resolution 9 is a separate resolution which proposes to grant authority to the Audit Committee to determine the auditor's remuneration.
21. **Resolution 10 – Dividend payment policy** – the Company's policy is to pay dividends on a half-yearly basis. As the second dividend in respect of a financial period is declared prior to the relevant Annual General Meeting, it is declared as an interim dividend and, accordingly, no final dividend is payable. The Board is conscious that this means that shareholders will not be given the opportunity to vote on the payment of a final dividend. However, if a final dividend was to be declared, this would be subject to shareholder approval, which would delay payment. Accordingly, it has been decided that shareholders will be asked at each AGM to confirm their approval of the Company's dividend policy. The Company's current dividend policy is to continue to pay half-yearly interim dividends with the objective of providing shareholders with regular, sustained distributions over the long term.
22. **Resolution 11 – General authority to allot** – this resolution, to be proposed as an ordinary resolution, relates to the grant to the Directors of authority to allot unissued Ordinary Shares until the earlier of the conclusion of the Annual General Meeting to be held in 2022 and 30 September 2022 (being six months after the financial year end of the Company), unless the authority is renewed or revoked prior to such time. This authority is limited to a maximum nominal amount of £510,091.64 (representing approximately 20.00% of the issued Ordinary Share capital of the Company as at 8 June 2021 (the latest practicable date prior to the publication of this document)). The Directors may exercise this authority if they decide to carry out one or more equity fundraisings in the short to medium term. As at 8 June 2021, the Company held no Ordinary Shares in treasury.
23. **Resolutions 12 and 13 – Statutory pre-emption rights** – the Act requires that if the Directors decide to allot unissued shares in the Company or transfer them out of treasury, the shares proposed to be issued or transferred must be first offered to existing shareholders in proportion to their existing holdings. This is known as shareholders' pre-emption rights. However, to act in the best interests of the Company, the Directors may require flexibility to allot and/or transfer shares out of treasury for cash without regard to the provisions of section 561(1) of the Act. Therefore resolution 12, to be proposed as a special resolution, seeks authority to enable the Directors to allot and/or transfer equity securities out of treasury up to a maximum nominal amount of £255,045.82 (representing approximately 10.00% of the issued Ordinary Share capital of the Company as at 8 June 2021 (the latest practicable date prior to the publication of this document)). This authority expires on the earlier of the conclusion of the Annual General Meeting to be held in 2022 and 30 September 2022 (being six months after the financial year end of the Company), unless the authority is renewed or revoked prior to such time.

    Resolution 13, to be proposed as a special resolution, seeks authority to enable the Directors to allot and/or transfer equity securities out of treasury up to a further maximum nominal amount of £255,045.82 (representing approximately 10.00% of the issued Ordinary Share capital of the Company as at 8 June 2021 (the latest practicable date prior to the publication of this document)). This authority expires on the earlier of the conclusion of the Annual General Meeting to be held in 2022 and 30 September 2022 (being six months after the financial year end of the Company), unless the authority is renewed or revoked prior to such time.

    In the event that resolution 12 is passed but resolution 13 is not passed, the Directors will only be authorised to issue Ordinary Shares up to an aggregate nominal value of £255,045.82, which represents approximately 10.00% of the Company's issued Ordinary Share capital.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

URBAN LOGISTICS REIT PLC

NOTES: CONTINUED

EXPLANATION OF CERTAIN RESOLUTIONS CONTINUED

23. **Resolutions 12 and 13 – Statutory pre-emption rights continued**

    Resolutions 12 and 13 will, if passed, give the Directors power, pursuant to the authority granted by resolution 11, to allot and/or transfer equity securities out of treasury for cash without first offering them to existing shareholders in proportion to their existing holdings up to a maximum nominal amount of, in aggregate, £510,091.64, which represents approximately 20.00% of the number of Ordinary Shares in issue at the AGM.

    The Directors may decide to allot unissued shares in the Company or transfer them out of treasury without first offering to existing shareholders in proportion to their existing holdings if they decide to carry out one or more equity fundraisings in the short to medium term.

    The Directors are aware that the combined authority to dis-apply pre-emption rights in respect of up to 20.00% of the Company's issued Ordinary Share capital sought under resolutions 12 and 13 is higher than the 10.00% typically sought by investment companies. However, the Directors believe that a higher authority is justified to enable the Company to pursue future investment opportunities in line with its investment policy, where they believe such investment opportunities would create further value for shareholders.

    It is intended that any new Ordinary Shares issued under the authority of resolutions 12 and 13 will be at a minimum issue price equal to the prevailing Net Asset Value (NAV) per Ordinary Share at the time of allotment to avoid dilution of the NAV of the then existing Ordinary Shares held by shareholders.

24. **Resolution 14 – Market purchases** – the Directors are requesting authority for the Company to make market purchases of up to 38,231,368 Ordinary Shares (representing approximately 14.99% of the issued Ordinary Share capital of the Company as at 8 June 2021 (the latest practicable date prior to the publication of this document)). There is no present intention to exercise such general authority. Any repurchase of Ordinary Shares will be made subject to the Act and within guidelines established from time to time by the Directors (which will take into account the income and cash flow requirements of the Company) and will be at the absolute discretion of the Directors, and not at the option of shareholders. Subject to shareholder authority for the proposed repurchases, general purchases of the Ordinary Shares in issue will only be made through the market. Such purchases may only be made provided the price to be paid is not more than the higher of: (i) 5% above the average of the middle market quotations for the Ordinary Shares for the five business days before the purchase is made; or (ii) the higher of the price of the last independent trade and the highest current independent bid at the time of purchase.

25. **Resolution 15 – Adoption of new Articles of Association** – under resolution 15, the Company is proposing to adopt new articles of association (the "**New Articles**") in substitution for the existing articles of association (the "**Current Articles**").

    The principal difference between the Current Articles and the New Articles relates to the operation of general meetings. The New Articles provide that the Company may hold general meetings (including Annual General Meetings) in such a way that enables members to attend and participate in the business of the meeting by attending a physical location or by attending electronically. In addition, the New Articles permit the Company to hold 'electronic only' meetings, being a meeting which is held entirely by means of an electronic facility or facilities. It should be noted that, while the New Articles will provide the Board with the flexibility to hold an electronic general meeting should the need arise, it is not the current intention of the Board to replace physical general meetings with electronic general meetings. The Board believes that introducing these provisions provides flexibility to the Company to navigate potential restrictions in holding in-person meetings in the future. Nothing in the New Articles will prevent the Company from holding physical general meetings.

    Certain consequential changes to facilitate this amendment have been made to the New Articles, including requiring that all resolutions put to the shareholders at any general meeting which is held partly or exclusively by means of an electronic facility or facilities shall be voted on by a poll, in compliance with best practice.

    In addition, a number of other minor amendments and updates have been made to the New Articles to remove provisions that have become obsolete and otherwise update for the passage of time since adoption of the Current Articles.

    A copy of the Current Articles and the New Articles marked to show all the changes will, subject to any relevant restrictions in force for the time being in relation to COVID-19, be available for inspection during normal business hours (excluding Saturdays, Sundays and bank holidays) at the Company's registered office, from the date of this document until the close of the AGM. The documents will also be available for inspection on the Company's website at **www.urbanlogisticsreit.com** during the same period.

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www.fsc.org
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Paper from responsible sources
FSC® C005739

Designed and produced by
lyonsbennett
www.lyonsbennett.com

Printed on Vision Indigo, an FSC® certified mixed sources paper. Printed by DG3 Leycol, an FSC® and ISO 140001 accredited company.

URBAN LOGISTICS
REIT PLC

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